



LOUISIANA LOTTERY CORPORATION
A COMPONENT UNIT OF THE STATE OF LOUISIANA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND 2005

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PREPARED BY ACCOUNTING DEPARTMENT

KAREN B. FOURNET

SENIOR VICE PRESIDENT

SECRETARY TREASURER

This document was produced by the Louisiana Lottery Corporation, 555 Laurel Street, Baton Rouge, Louisiana 70801. Twenty-five copies of this public document were produced at an approximate cost of \$60.

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August 30, 2006

Board of Directors, Louisiana Lottery Corporation
Rose J. Hudson, President, Louisiana Lottery Corporation

INTRODUCTION

The Louisiana Lottery Corporation is pleased to submit its Comprehensive Annual Financial Report for the fiscal years ended June 30, 2006 and 2005. Lottery management is responsible for the accuracy and completeness of all data and disclosures in this report. To the best of our knowledge, the information presented is accurate and complete in all material respects and fairly depicts the financial activities and position of the Lottery.

This report is organized into three sections. The introductory section includes this letter of transmittal and an organizational chart. The financial section includes the independent auditor's report, management's discussion and analysis, and the audited financial statements with accompanying notes. Historical, demographic, and industry comparative data are presented in the statistical section of this report. A report on compliance and internal control is included in the last section.

The Louisiana Lottery Corporation was created in October 1990 and began operating on January 15, 1991. Ticket sales began on September 6, 1991. The Lottery is considered a component unit of the State of Louisiana and is reported as an enterprise fund within the state's Comprehensive Annual Financial Report. The fund is operated in a manner similar to a private business enterprise.

During its 15 years of operation, the Lottery has offered a variety of instant and on-line products. The instant games consist of preprinted "scratch-off" tickets, which contain various symbols and captions covered by latex material. Players instantly determine the winning or non-winning status of their tickets by removing the latex. On-line game tickets are produced through terminals at lottery retailer locations based on player instructions for number selection. Drawings are conducted to determine winning combinations. Historical data for all lottery products are presented in the financial and statistical sections of this report.

FINANCIAL CONDITION AND ACCOMPLISHMENTS

The Corporation's financial condition continues to be strong and stable. At June 30, 2006 net assets were \$23.2 million. The current ratio, a cash flow measure of an entity's ability to satisfy current liabilities, stands at a solid 1.05 at the end of the fiscal year. Financial results exceeded budgeted and prior-year levels for revenue, net income, and transfers to the state treasury. The transfers to the state included a \$2.7 million surplus remittance and were 11.2% higher than budget. An analysis of comparative financial information is included in *Management's Discussion and Analysis* beginning on page 11. Other accomplishments in fiscal year 2006 included the following:

- Successful corporate recovery from the destruction and disruptions caused by two major hurricanes
- Implemented enhancements to the Powerball on-line game
- Developed and implemented new instant ticket strategies with our instant ticket printing vendor

GOVERNMENT FINANCE OFFICERS ASSOCIATION CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting (see page 8) to the Louisiana Lottery Corporation for its comprehensive annual financial report for the fiscal year ended June 30, 2005. This was the eighth consecutive year that the Lottery has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ORGANIZATIONAL INFORMATION

Enterprise Operations

The corporate structure of the Lottery enables it to be managed in an entrepreneurial and business-like manner. The Louisiana Lottery's basic business purpose is to provide enjoyable and secure lottery games to the people of the state of Louisiana while maximizing transfers to the state's Lottery Proceeds Fund. The operations involve the sale of lottery tickets, the

determination of winning tickets, the payment of prizes, compensation to lottery retailers, and all necessary administrative functions. As intended by the enabling statutes, the Corporation is accountable to the governor, the legislature, and the people of the state through a system of audits, reports, legislative oversight, and thorough financial disclosure.

Operational results are included in the financial and statistical sections of this report.

Internal Control Framework

Management is responsible for the design and operation of the control environment and corporate policies and procedures. This internal control structure should provide reasonable assurance that corporate objectives will be achieved in the following categories:

- Reliability of financial reporting
- Safeguarding of corporate assets
- Compliance with applicable laws and regulations

Management has assigned responsibilities and designed processes in an attempt to prevent potential conflicts of interest or unilateral control of critical functions. The Lottery has segregated duties in several key areas including the following:

- Human resources and payroll processing
- Daily cash management and bank account reconciliations
- Cash disbursement authorization and bank account reconciliations
- Purchasing and accounts payable
- Cash disbursement authorization and accounts payable
- Retailer licensing and retailer accounts receivable
- General ledger accounts receivable and retailer accounts receivable
- Data center processing and programming
- Drawing department and information systems department

Operational policies and procedures have been established to communicate management guidelines and requirements for daily operations. Employee compliance with these standards is constantly monitored and evaluated.

Budgetary Controls

The Corporation is required to submit its annual fiscal year budget to the Board of Directors and the Joint Legislative Committee on the Budget for review and approval. All levels of management are involved in the budgeting process. Available resources are determined based on projected revenue and are allocated to specific areas based on the goals and objectives contained in the Lottery's annual business plan. Operational efficiency is emphasized to direct

resources to areas that are expected to maximize revenues, profitability, and the return to the State of Louisiana.

Actual performance is compared to the approved budget on a monthly basis by department managers and senior management. Variances are monitored and future plans are reviewed for potential adjustments.

Debt Administration

Lotto and Powerball game grand prize winner installment obligations are funded by investments in U.S. Treasury zero coupon bonds as required by statute. These liabilities are paid as the bonds mature at or near the winning draw date anniversaries.

Cash Management

Cash due from retailers for lottery transactions is collected on a weekly basis through an electronic funds transfer system and deposited into an operating account. Operating cash balances are used to fund daily lottery operations such as prize and vendor payments. Minimal operating account balances are maintained and are invested overnight in U.S. government securities repurchase agreements. Excess operating funds are invested daily in short-term U.S. government securities money market mutual funds. Funds not needed for liquidity purposes are invested in a portfolio of long-term U.S. government and agency securities. All investment purchases are restricted by guidelines contained in a board-adopted Investment Policy Statement and all associated state statutes.

Risk Management

The Lottery has purchased various commercial insurance policies for protection from significant economic loss. These policies include coverage for standard automobile liability, general liability, worker's compensation claims, property, electronic data processing equipment, employee crimes against the corporation, directors' and officers' liability, and retirement plan fiduciary liability. In addition, contracts for major purchases of goods or services contain requirements for vendor indemnification of the Lottery and vendor insurance and performance bond coverages. Management has also segregated a portion of net assets for a litigation and prize reserve to cover unanticipated losses.

ECONOMIC CONDITION AND OUTLOOK

The growth of the United States and global economies slowed but continued on the recovery trend that began in 2003. Rising fuel costs and the financial impact of a record hurricane season in the gulf-coast region strained the economy in the first half of the year. But, the pace of corporate profit gains remained fairly stable

because of sustained consumer confidence, consumer and business spending, and productivity gains. Gross domestic product increased 3.2% in calendar year 2005 and 2.5% through the second calendar quarter of 2006. Interest rates increased but remained at historically low levels. Consumer-price inflation was contained.

In an effort to contain inflation, the Federal Reserve raised the target short-term interest rate eight times in fiscal year 2006 to finish the year at a rate of 5.25%. In addition, intermediate and long-term interest rates increased. The ten-year Treasury note yield increased from 3.94% to 5.14%.

The changes in the economy could cause changes in personal disposable incomes and spending patterns. These conditions could impact Lottery sales.

Competitor trends may also affect the performance of the Louisiana Lottery. The video poker industry, riverboat casinos, and Indian casinos continue to perform well and are strong competition for gaming dollars.

The continued high oil and gasoline prices may create some positive economic changes for those industries in Louisiana but has probably negatively impacted lottery ticket sales, and may continue to pressure sales because higher fuel prices reduce consumers' discretionary funds at the point of sale for lottery products. In addition, the ongoing hurricane recovery efforts in south Louisiana are possibly having an initial positive effect on lottery sales because of the influx of out-of-state workers and the flow of federal dollars into the state to fund these projects and pay the workers. But the long-term economic impact from these natural disasters and the ultimate population shifts within and out of the state are unknown at this time. The evolution of this recovery will affect most businesses in the state, including the Louisiana Lottery Corporation.

MAJOR INITIATIVES

Management has developed the Corporation's objectives and goals for the 2006 fiscal year. Several of the major initiatives are as follows:

- Exceed budgeted levels for revenue, net income, and transfers to the state treasury
- Develop and implement improvements to the on-line game product mix
- Implement an enhanced instant ticket inventory management and distribution system

INDEPENDENT AUDIT

The Louisiana Legislative Auditor performs an annual audit of the Lottery's financial statements as required by Louisiana statutes. The audits are conducted in accordance with generally accepted auditing standards and generally accepted government auditing standards. The independent auditor's opinion on the Lottery's financial statements for the years ended June 30, 2006, and June 30, 2005, is included in the financial section of this report.

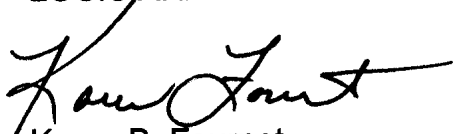
ACKNOWLEDGMENTS

The Accounting Department staff prepared each section of the Comprehensive Annual Financial Report. Their efforts have greatly contributed to the success of this informative document. In addition, we appreciate the efforts of the Legislative Auditor's Office in providing assistance with technical requirements.

We are committed to providing thorough and relevant financial information to the users of our financial statements. Our preparation of this Comprehensive Annual Financial Report reflects this commitment. The additional presentations and disclosures required will assist readers in obtaining an understanding of the Lottery's historical and current financial results.

Respectfully submitted,

LOUISIANA LOTTERY CORPORATION

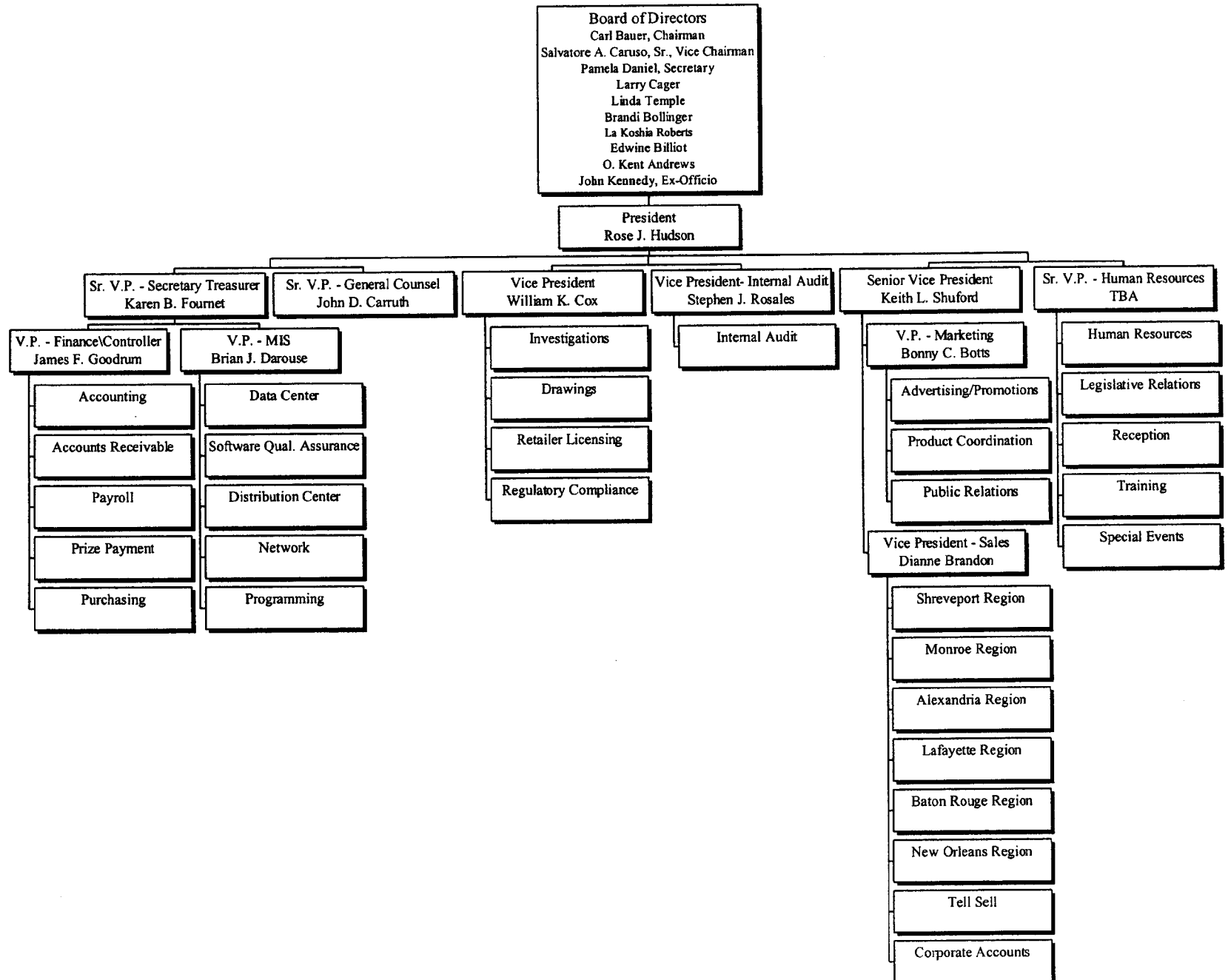
A handwritten signature in black ink, appearing to read "Karen Fournet", written over a horizontal line.

Karen B. Fournet

Senior Vice President and Secretary Treasurer

LOUISIANA LOTTERY CORPORATION

Organizational Chart with Principal Officials



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Louisiana Lottery Corporation

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial
Reporting is presented by the Government Finance Officers
Association of the United States and Canada to
government units and public employee retirement
systems whose comprehensive annual financial
reports (CAFRs) achieve the highest
standards in government accounting
and financial reporting.



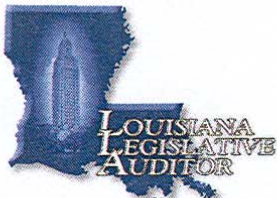
Carla E. Perry

President

Jeffrey R. Enen

Executive Director

FINANCIAL SECTION



STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
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August 14, 2006

Independent Auditor's Report
on the Financial Statements

BOARD OF DIRECTORS
LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the accompanying basic financial statements of the Louisiana Lottery Corporation, a component unit of the State of Louisiana, as of and for the years ended June 30, 2006, and June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the Louisiana Lottery Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Louisiana Lottery Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana Lottery Corporation as of June 30, 2006, and June 30, 2005, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

During August and September of 2005, the State of Louisiana suffered considerable damage from two major hurricanes, Katrina and Rita, resulting in the President of the United States declaring Louisiana a major disaster area. Because of the severity of these two separate events and the resulting losses sustained, it is unknown exactly what economic impact recovery will have on state and local governmental operations in Louisiana. As referred to in note 17 to the basic financial statements, the Louisiana Lottery Corporation incurred damage to its regional

office in Metairie, Louisiana, as a result of Hurricane Katrina, which struck southeastern Louisiana on August 29, 2005. The long-term effects of these events directly on the corporation cannot be determined at this time.

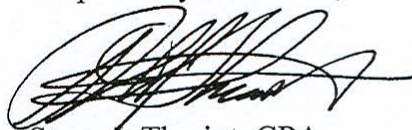
As discussed in note 1-F to the basic financial statements, the Louisiana Lottery Corporation implemented Governmental Accounting Standards Board Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, and Governmental Accounting Standards Board Statement No. 44, *Economic Condition Reporting: The Statistical Section*, for the year ended June 30, 2006.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2006, on our consideration of the Louisiana Lottery Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 11 through 20 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Louisiana Lottery Corporation's basic financial statements. The accompanying supplemental information schedules, introductory section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying supplemental information schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

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[LLC06]

**LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
PROPRIETARY FUND - ENTERPRISE FUND**

**Management's Discussion and Analysis
For the Years Ended June 30, 2006 and June 30, 2005**

This discussion of the Louisiana Lottery Corporation's financial statements provides an overview and analysis of the Corporation's financial results and position for the fiscal years ended June 30, 2006, and June 30, 2005. Please read it in conjunction with the financial statements and notes to the financial statements.

Our annual report consists of three types of financial statements and accompanying notes that provide narrative explanations and additional details of accounting policies, account balances and activities. Account balances and activities are shown as of and for the fiscal year ended June 30, 2006, with comparative totals for June 30, 2005. The statement of net assets; the statement of revenues, expenses, and changes in fund net assets; and the notes are presented using the accrual method of accounting. Under this method, financial transactions are recorded when earned or incurred regardless of when cash is received or disbursed. The statement of cash flows reflects cash receipts and disbursements during the fiscal year.

The statement of net assets on page 21 includes all assets, liabilities, and net assets of the Corporation. Assets consist of money held in investments and bank accounts, amounts owed to the Corporation from licensed lottery retailers and other outside parties, inventory, property, and other financial resources. Liabilities represent amounts owed to vendors, employees for wages and benefits, prize winners and the state treasury. Assets and liabilities are classified as either current or noncurrent. A current classification indicates that an asset or liability is expected to be received or paid, respectively, within the subsequent one-year period while a noncurrent classification indicates a period of greater than one year. Net assets represent the portion of assets that are not encumbered by liabilities. It serves as an indicator of the net worth of the Corporation.

A summary of the financial results of operations for the reported twelve-month period is presented in the statement of revenues, expenses, and changes in fund net assets on pages 22 and 23. The categories of activities included on this statement provide reasons for increases or decreases in net assets. Operating revenues include sales of lottery tickets and other fees associated with the Corporation's network of retailers and operations. Direct costs and administrative expenses comprise the operating expenses section of this report. Direct costs are variable expenses that fluctuate with the level of sales. Marketing and overhead costs are included in the administrative expenses category. Nonoperating revenues and expenses consist of interest and market value gains or losses from investments, any recognized gain or loss from the disposal of capital assets, and the accrued required and surplus remittances to the state as explained in note 16 to the financial statements on page 41.

The statement of cash flows on pages 24 and 25 includes cash receipts and disbursements from operating, noncapital financing, capital financing, and investing activities. This statement also consists of a reconciliation of operating income presented on the accrual basis of accounting to net cash provided by operating activities.

The notes to the financial statements that begin on page 26 present information on accounting policies, cash, investments, accounts receivable, prepaid expenses, capital assets, deposits, prizes payable, vacation and sick leave, changes in noncurrent liabilities, retirement benefits, litigation, risk management, lease and rental commitments, net assets, payments to the state treasury, extraordinary items, and the board of directors. These notes are an integral part of the financial statements.

These statements and notes provide information that is necessary to evaluate the Corporation's financial performance and condition. Each fiscal year's performance affects the end of year financial position. To assist readers with this evaluation, a condensed comparison of financial results between the current year ended June 30, 2006, and the prior years ended June 30, 2005, and June 30, 2004, is presented below followed by further analysis of changes in key performance indicators.

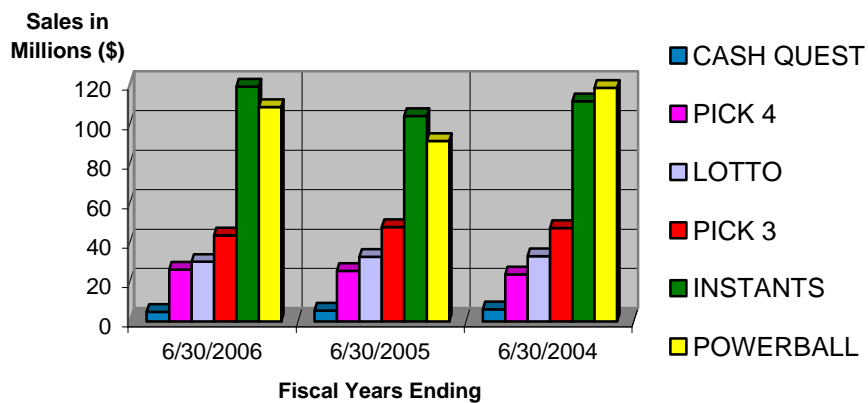
	As of and for the Year Ended June 30, 2006	As of and for the Year Ended June 30, 2005	As of and for the Year Ended June 30, 2004
Operating revenues			
Instant ticket sales	\$118,864,811	\$104,102,165	\$111,430,717
On-line sales	213,251,849	202,904,426	228,661,508
Allowance for uncollectible accounts	(127,279)	(60,832)	(74,046)
Other operating revenues	65,740	16,269	100,259
Total operating revenues	332,055,121	306,962,028	340,118,438
Nonoperating revenues			
Investment and other income	1,341,740	1,514,634	370,105
Total revenues	333,396,861	308,476,662	340,488,543
Operating expenses			
Direct costs:			
Prize expense	168,235,254	153,257,203	169,776,455
Retailer commission and incentives	18,503,567	16,859,899	18,664,893
Other direct costs	11,973,524	11,775,524	12,842,890
Total direct costs	198,712,345	181,892,626	201,284,238
Administrative expenses	16,112,777	17,662,611	17,609,168
Total operating expenses	214,825,122	199,555,237	218,893,406
Payments to state treasury	119,433,115	110,391,785	121,196,935
Total expenses	334,258,237	309,947,022	340,090,341
Income before extraordinary item	(861,376)	(1,470,360)	398,202
Extraordinary item			
Insurance recovery gain - hurricane damage	186,487		
Changes in net assets	(\$674,889)	(\$1,470,360)	\$398,202

Operating revenues increased and the Corporation transferred over \$110 million to the state treasury for the fifth consecutive year. The \$119.4 million transferred to the state was the second-highest fiscal year transfer in the past 12 years and the fourth largest in the Corporation's history. Sales and operational goals were exceeded, despite the disruptions caused by two major hurricanes.

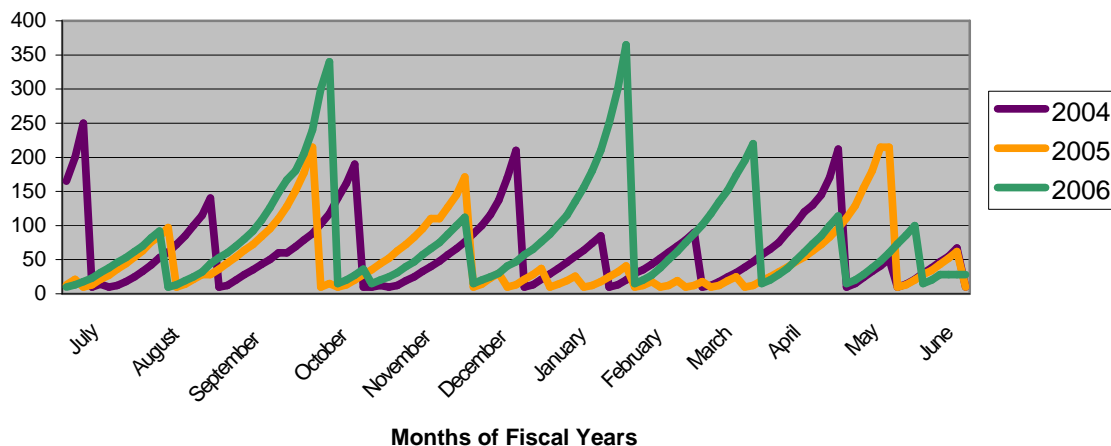
Net income before surplus transfers exceeded \$2 million. Net assets decreased because of a \$2.7 million surplus payment to the state. For the third straight year, the Corporation has remitted at least \$2 million in surplus funds. The reasons for the activity in each component outlined below provide the rationale for these positive results of operations.

Operating revenues

The charts presented below reflect sales levels for each of the six lottery games offered during the three fiscal years and Powerball jackpot levels experienced during those time periods. The purpose of these presentations is to emphasize the correlation between Powerball jackpots and the level of sales for that on-line game and the other lottery games. Discussions of changes in operating revenues follow these charts.



Powerball Jackpots in Millions (\$)



For the year ended June 30, 2006

Instant ticket sales increased by almost \$14.8 million because of enhancements to game prize structures, launch cycles, inventory management, and product distribution. These new strategies proved to be very effective during the recovery from hurricanes Katrina and Rita.

On-line sales were approximately \$10.4 million higher than the previous fiscal year mainly because of two record Powerball jackpots. The \$340 million announced jackpot in October 2005 and the \$365 million jackpot in February 2006 were the largest jackpots in the history of this multi-state lottery game. Sales for the other on-line games, except Pick 4, decreased because of the disruptions to our retailers in the New Orleans area caused by Hurricane Katrina. Lottery sales in the New Orleans region have historically favored the on-line products. Pick 4 sales slightly increased because of higher-than-average payouts for this game.

The destruction in New Orleans also caused an increase in the allowance for uncollectible accounts in fiscal year 2006. Most lottery retailers that were affected by the hurricanes paid any balances due to the Corporation. A portion of our retailer base in New Orleans remains closed for business and their accounts are expected to be uncollectible.

For the year ended June 30, 2005

Operating revenues of over \$306.9 million were \$33.16 million lower than prior year amounts but remained over \$300 million for the fourth straight year. Instant ticket sales were \$7.3 million lower than 2004 levels and \$1.6 million higher than 2003 sales. The decrease in 2005 may have been related to higher gasoline prices, which reduces consumers' discretionary funds at the point of sale and a reduction in store traffic at lottery retailer locations because of a decrease in Powerball on-line sales. Powerball sales decreased by \$27 million because of lower jackpot levels over the course of the fiscal year as compared to previous years. As presented in the previous chart, the Powerball jackpot exceeded \$100 million once and \$200 million twice during the 2005 fiscal year while it surpassed \$100 million two times and \$200 million three times in the 2004 fiscal year. In addition, from the period of December 2004 through March 2005, jackpot prizes were won more frequently than normal, which kept the announced jackpots below \$50 million. The level of play for this game is greatly affected by the amount of the jackpot prize. The other on-line games do not appear to be significantly affected by Powerball jackpots. Pick 3 and Pick 4 sales were at their highest levels since the games were introduced in fiscal years 1993 and 1999, respectively. Sales for the Lotto game remained fairly stable. Cash Quest sales decreased but were at their second-highest level in five years.

Historical sales data for all games are presented in the statistical section of this report.

Nonoperating revenues

Total earnings on investments decreased by \$203,000 in fiscal year 2006 and increased by \$1.15 million in fiscal year 2005.

As stated in note 3 to the financial statements, a major portion of the Corporation's investment portfolio consists of mutual fund investments in short-term government securities. In an effort to stimulate the economy, the Federal Reserve lowered short-term interest rates 13 times starting in 2001. These rates declined to a 45-year low during fiscal year 2003 and remained there during fiscal year 2004. Concerned about inflationary pressures in the economy, the Federal Reserve increased short-term interest rates nine times during fiscal year 2005 and eight times in fiscal year 2006. These fluctuations had a direct effect on the amount of short-term investment income earned by the Corporation. The average rate of return earned on short-term investments in the fiscal year ended June 30, 2006, was 3.72%, as compared to rates of 1.86% and 0.96% in the fiscal years ended June 30, 2005 and 2004, respectively. As a result, the Corporation's earnings from current investments more than doubled from \$430,000 in fiscal year 2005 to \$872,000 in fiscal year 2006.

The Corporation's investment return from its portfolio of U.S. government and agency securities consists of interest earned on investments and changes in the fair value of investments as follows:

	<u>For the Year Ended June 30, 2006</u>	<u>For the Year Ended June 30, 2005</u>	<u>For the Year Ended June 30, 2004</u>
Interest	\$1,064,625	\$1,112,080	\$1,146,349
Change in Fair Value	<u>(1,014,680)</u>	<u>(247,917)</u>	<u>(1,171,452)</u>
Total	<u><u>\$49,945</u></u>	<u><u>\$864,163</u></u>	<u><u>(\$25,103)</u></u>

As shown in the chart above, the interest component of these intermediate and long-term securities has remained fairly stable throughout the three-year period. The decrease in fair value was caused by the inverse relationship of the market value of debt securities to market interest rates and the length of time to maturity of the securities in the portfolio. The majority of the maturities of the securities in the portfolio are within an intermediate range of one to ten years. The intermediate-term five-year treasury bond market yield increased by 1.38% in fiscal year 2006, was nearly unchanged in fiscal year 2005, and increased by 1.39% in fiscal year 2004. The decline in the change in fair value in 2005 was caused by a portion of the securities approaching face value because of the passage of time and by increased market yields for securities with maturities of less than five years. The larger decreases in fair value in 2006 and 2004 were caused by the steep, and nearly identical, increases in market yield.

Most increases or decreases in fair value are not realized by the Corporation. Investment disposals occur at maturity and when overall investment return performance, including interest earned and market value, can be enhanced by

the sale of portfolio holdings and replacement with other quality securities. In addition, some of the gains or losses realized upon the disposal of securities are the result of a discount or premium paid at the time of original purchase. Net realized losses from disposals of investments were \$223,000 and \$100,000 in fiscal years 2006 and 2005, respectively. Further disclosures on investments and interest rate risk are included in note 3 to the financial statements beginning on page 28.

Total revenues earned during the 2006 and 2005 fiscal years were \$333.4 million and \$308.5 million, respectively. Revenues that are generated each fiscal year are used to fund lottery operations including payment of prizes, retailer compensation, other direct operating costs, administrative expenses, and the required payments to the state treasury. Revenue not needed to fund current operations increases net assets or if determined to be surplus to the Corporation's future needs, is remitted as an additional transfer to the state treasury. A historical allocation of expenses as a percentage of total revenue is presented in the statistical section of this report on page 54.

Direct costs

Direct costs are expenses that fluctuate directly with the level of sales. The changes in sales for the fiscal years presented resulted in corresponding changes in direct costs. Prize expense, as a percentage of operating revenues, increased to 50.66% in fiscal year 2006 from 49.92% in previous years because of higher-than-average payouts for the Pick 3 and Pick 4 daily games.

Administrative expenses

These marketing and overhead costs decreased in fiscal year 2006 mainly because of budget reductions implemented immediately after Hurricane Katrina. Advertising campaigns were put on hold and open personnel positions remained unfilled for several months. These expenses returned to a more normal level in the second half of the fiscal year as sales recovered and exceeded pre-storm levels. Administrative expenses remained fairly constant over the three previous fiscal years.

Even with fluctuations in annual sales, caused mainly by variances in Powerball jackpot levels, the Corporation has maintained high profitability levels for the benefit of the State of Louisiana by controlling its administrative costs each year. These expenses have remained consistent and under budget during the past six fiscal years. These efficiencies have enabled the Corporation to transfer additional surplus funds to the state on an annual basis.

Payments to state treasury

Note 16 to the financial statements on page 41 includes a discussion of the statutory requirements for payments to the state treasury. Payments increased by over \$9.0 million to approximately \$119.4 million in fiscal year 2006 because of higher operating revenues as compared to fiscal year 2005. Remittances in fiscal year 2005 were \$10.8 million lower than in 2004. The payments for fiscal year 2006 included a \$2.7 million additional transfer for surplus at June 30, 2006.

This surplus was generated during the last several months of fiscal year 2005 and throughout fiscal year 2006. The surplus transfers for fiscal years 2005 and 2004 were \$2.4 million and \$2 million, respectively. Total payments to the state treasury since the Lottery's inception have exceeded \$1.7 billion.

The financial performance reflected above affected the overall financial position of the Corporation at June 30, 2006, and at June 30, 2005. A summarized version of the statement of net assets presented below reflects the Corporation's overall change in financial resources and claims on those resources.

	As of June 30, 2006	As of June 30, 2005	As of June 30, 2004
Assets			
Current assets	\$47,971,949	\$48,183,441	\$50,418,090
Noncurrent assets:			
Capital assets	6,047,412	6,063,654	6,140,678
Other noncurrent assets	105,906,718	122,710,364	134,385,446
Total noncurrent assets	111,954,130	128,774,018	140,526,124
Total assets	159,926,079	176,957,459	190,944,214
Liabilities			
Current liabilities	45,660,474	45,384,492	47,156,928
Noncurrent liabilities	91,100,686	107,733,159	118,477,118
Total liabilities	136,761,160	153,117,651	165,634,046
Net assets			
Invested in capital assets	6,047,412	6,063,654	6,140,678
Unrestricted	17,117,507	17,776,154	19,169,490
Total net assets	\$23,164,919	\$23,839,808	\$25,310,168

Current assets

The fluctuation of current assets for the three years presented was mainly caused by changes in accounts receivable balances. Retailer accounts receivable balances changed because of sales volume differences at the end of the fiscal years and the timing of the collection of these receivables. In fiscal years 2006 and 2005, retailer balances due to the Corporation for the last full billing week of those years were collected prior to or on June 30. The fiscal year 2004 balances were collected on July 1, 2004.

In addition, current investment balances are affected by the timing of deposits of these receivables and payments to vendors and the state treasury.

Several other factors caused changes in current assets for the three years presented:

- Several securities in the Corporation's investments in government securities were reclassified from noncurrent assets to current assets during the 2005 fiscal year because the maturity dates are within one year from June 30, 2005. Further information about investments and investments in government securities is included in note 3 to the financial statements beginning on page 28.
- Prepaid expenses decreased in fiscal year 2005 because instant ticket inventory is no longer reported as an asset on the statement of net assets. A description of this change is presented in note 5 to the financial statements on page 31.

Capital assets

Capital assets slightly decreased in fiscal years 2006 and 2005 because depreciation expense was greater than capital asset acquisitions. Details of capital asset additions, deletions, and depreciation are included in note 6 to the financial statements on page 32.

Other noncurrent assets

The difference between the reclassification of annual grand prize payments, with a face value of \$15,627,000, from noncurrent assets to current assets and the change in the market value of noncurrent investments in prize annuities accounts for most of the change in this asset category for both fiscal years. This annual transfer between asset categories is a result of the maturities of investments in prize annuities for the payment of current year obligations and the classification of all investments scheduled to mature within the next fiscal year as current investments in prize annuities. The market value adjustment is necessary to reflect the investment balances at fair value as required by governmental accounting standards. This adjustment is dependent upon the investments' face values, purchase prices, stated interest rates, maturity dates, and market interest rates at the end of the fiscal year. These recurring annual changes in these investment accounts resulted in net decreases in noncurrent assets of \$16.0 million and \$9.3 million in fiscal years 2006 and 2005, respectively. Additional information on investments in prize annuities is included in note 3 to the financial statements beginning on page 28 and the related prizes payable information is contained in note 8 on page 34.

Noncurrent investments in government securities decreased in fiscal year 2005 because of the reclassification of several securities to current investments in government securities as discussed in the current assets section.

Deposits with the Multi-State Lottery Association (MUSL) decreased in fiscal years 2006 and 2005 because the Corporation's required share of prize reserve accounts maintained by MUSL was reduced during these years. These reductions were partially offset with interest earned on these deposits. Excess reserves of \$692,000 and \$667,000 were returned to the Corporation in fiscal years ending June 30, 2006 and June 30, 2005, respectively. Note 7 to the financial statements that begins on page 33 contains further information about MUSL and the prize reserve accounts.

Finally, as discussed in note 5 to the financial statements on page 31, prepaid expenses declined by approximately \$300,000 each year from the amortization of a one-time lump sum payment for the use of an instant ticket accounting and administrative computer system.

Current liabilities

For the year ended June 30, 2006

Total current liabilities were almost unchanged in fiscal year 2006 but the individual components of this category did fluctuate. Prizes and withholdings payable decreased by approximately \$800,000. All of the components of this liability category are presented in note 8 to the financial statements on page 34.

Instant prizes payable increased by \$1.96 million because sales increased and prize structures contained more high-tier prizes. The larger prizes typically accrue to the prize liability accounts over a long period of time and are won less frequently. The funding of these prizes usually remains in the liability account for an extended period.

On-line prizes payable decreased by \$2.4 million mainly because the Pick 4 daily game prize reserve account was fully exhausted during the year because of higher-than-average payouts.

The current portion of unclaimed prizes payable was \$1.18 million lower in fiscal year 2006 because of the decrease in the expected usage of unclaimed prizes to fund instant game prizes in fiscal year 2007. The Corporation's operating budget will fund a greater portion of these prizes next year.

The amount due to MUSL for the Powerball prize pool was higher by approximately \$800,000 at June 30, 2006, because of differences in sales levels and prizes won in Louisiana at the end of each fiscal year.

The remaining differences are the result of an increase of \$1.26 million in the accrued surplus payment to the state treasury and other minor changes in accruals and payable balances.

For the year ended June 30, 2005

Current liabilities decreased by \$1.8 million in fiscal year 2005 mainly because of decreases in prizes and withholdings payable. Instant prizes payable decreased because of lower instant ticket sales and a larger percentage of prizes awarded as free tickets instead of cash prizes. The amount due to the MUSL prize pool decreased because of a total of \$1.2 million of Louisiana Powerball match 5 \$100,000 prizes won in June 2005. This reduced the amount payable to the shared prize pool from sales. A total of \$300,000 of these match 5 prizes was not claimed as of June 30, 2005. This resulted in an increase in on-line prizes payable.

The remaining differences are the result of an increase of \$400,000 in the accrued surplus payment to the state treasury and other minor changes in accruals and payable balances.

Noncurrent liabilities

The changes in noncurrent investments in prize annuities discussed previously caused equal changes in the corresponding noncurrent liabilities to prize winners. In addition, the return of excess prize reserves from MUSL discussed in noncurrent assets decreased the balance in the MUSL prize reserve payable at June 30, 2006. Further disclosures on noncurrent prizes payable are included in notes 8 and 10 to the financial statements on pages 34 and 36, respectively.

Net assets

Finally, net assets decreased by \$675,000 in fiscal year 2006 and by \$1.5 million in fiscal year 2005 because of the income generated during these years and the amount of surplus remittances to the state treasury. The specified uses of unrestricted net assets are presented in note 15 to the financial statements on page 40.

This financial overview of the Louisiana Lottery Corporation is provided as a supplemental analysis of the financial position and activities of the Corporation as of and for the years ended June 30, 2006, and June 30, 2005. It is based on currently known facts and decisions and includes information about transactions, events, and conditions that are reflected in the financial statements and accompanying notes. The additional presentations and disclosures are included to assist the users of this report in understanding the financial results of the Corporation.

Respectfully submitted,



James F. Goodrum
Vice President of Finance and Controller



Karen B. Fournet
Senior Vice President and Secretary Treasurer

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
PROPRIETARY FUND - ENTERPRISE FUND

Statements of Net Assets, June 30, 2006 and 2005

	2006	2005
ASSETS		
Current assets:		
Cash (note 2)	\$84,831	\$53,054
Investments (note 3)	22,599,104	24,217,742
Accounts receivable, net (note 4)	7,989,037	6,700,989
Investments in government securities (note 3)	1,547,861	1,283,352
Investments in prize annuities (note 3)	15,249,017	15,374,578
Prepaid expenses (note 5)	488,392	540,035
Other current assets	13,707	13,691
Total current assets	47,971,949	48,183,441
Noncurrent assets:		
Capital assets:		
Land (note 6)	1,542,415	1,542,415
Depreciable capital assets, net (note 6)	4,504,997	4,521,239
Investments in government securities (note 3)	18,514,989	18,510,555
Investments in prize annuities (note 3)	80,295,011	96,276,499
Deposits with Multi-State Lottery Association (note 7)	6,185,943	6,709,410
Prepaid expenses (note 5)	910,775	1,213,900
Total noncurrent assets	111,954,130	128,774,018
TOTAL ASSETS	159,926,079	176,957,459
LIABILITIES		
Current liabilities:		
Accounts payable	2,232,076	2,420,647
Wages, benefits, and withholdings payable	99,270	109,417
Accrued payment to state treasury	11,937,660	10,678,740
Prizes and withholdings payable (note 8)	31,066,685	31,849,727
Compensated absences payable (note 9)	324,783	325,961
Total current liabilities	45,660,474	45,384,492
Noncurrent liabilities (note 10):		
Noncurrent prizes payable (note 8)	90,949,296	107,584,489
Retailer security deposits	151,390	148,670
Total noncurrent liabilities	91,100,686	107,733,159
TOTAL LIABILITIES	136,761,160	153,117,651
NET ASSETS		
Invested in capital assets	6,047,412	6,063,654
Unrestricted (note 15)	17,117,507	17,776,154
TOTAL NET ASSETS	\$23,164,919	\$23,839,808

The accompanying notes are an integral part of this statement.

Statement B

**LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
PROPRIETARY FUND - ENTERPRISE FUND**

**Statements of Revenues, Expenses, and
Changes in Fund Net Assets
For the Years Ended June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
OPERATING REVENUES		
Instant ticket sales	\$118,864,811	\$104,102,165
On-line sales	213,251,849	202,904,426
Allowance for uncollectible accounts	(127,279)	(60,832)
Retailer license fees	6,900	10,525
Miscellaneous revenue	58,840	5,744
Total operating revenues	<u>332,055,121</u>	<u>306,962,028</u>
OPERATING EXPENSES		
Direct costs:		
Instant ticket prize expense	60,468,874	52,928,497
On-line prize expense	107,766,380	100,328,706
Retailer commission	17,264,442	15,463,627
Retailer incentives	1,239,125	1,396,272
Lottery system vendor fees	9,665,938	9,211,182
Communications	(6,988)	(3,519)
Cost of instant tickets	1,946,072	2,101,682
Courier service	368,502	466,179
Total direct costs	<u>198,712,345</u>	<u>181,892,626</u>
Administrative expenses:		
Advertising	6,233,832	7,686,106
Contract labor	225,357	197,775
Depreciation	631,701	596,513
Equipment lease (note 14)	34,071	35,366
Insurance	404,238	442,964
Postage	57,580	74,207
Professional fees	281,246	219,395
Rent (note 14)	197,886	211,277
Repairs and maintenance	267,398	310,779
Salaries, benefits, and taxes	6,671,208	6,799,804
Supplies	392,532	327,562
Telephone	186,072	191,398
Travel	76,530	122,606
Utilities	201,131	144,788
Other general and administrative	251,995	302,071
Total administrative expenses	<u>16,112,777</u>	<u>17,662,611</u>
Total operating expenses	<u>214,825,122</u>	<u>199,555,237</u>

(Continued)

The accompanying notes are an integral part of this statement.

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
PROPRIETARY FUND - ENTERPRISE FUND

Statements of Revenues, Expenses, and
Changes in Fund Net Assets
For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
OPERATING INCOME	<u>\$117,229,999</u>	<u>\$107,406,791</u>
NONOPERATING REVENUES (EXPENSES)		
Interest earned on investments	2,314,754	1,751,259
Net (decrease) in the fair value of investments	(1,014,680)	(247,917)
Net gain on disposal of assets	41,666	11,292
Payments to state treasury - required (note 16)	(116,733,115)	(107,991,785)
Payments to state treasury - surplus (note 16)	<u>(2,700,000)</u>	<u>(2,400,000)</u>
Total nonoperating revenues (expenses)	<u>(118,091,375)</u>	<u>(108,877,151)</u>
INCOME BEFORE EXTRAORDINARY ITEM	(861,376)	(1,470,360)
EXTRAORDINARY ITEM		
Insurance recovery gain - hurricane damage (note 17)	<u>186,487</u>	<u>NONE</u>
CHANGES IN NET ASSETS	(674,889)	(1,470,360)
TOTAL NET ASSETS AT BEGINNING OF YEAR	<u>23,839,808</u>	<u>25,310,168</u>
TOTAL NET ASSETS AT END OF YEAR	<u><u>\$23,164,919</u></u>	<u><u>\$23,839,808</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

**LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
PROPRIETARY FUND - ENTERPRISE FUND**

Statement C

**Statements of Cash Flows
For the Years Ended June 30, 2006 and 2005**

	2006	2005
Cash flows from operating activities		
Cash received from retailers - net of commission and incentives	\$314,663,868	\$296,888,005
Cash from other sources	2,960,467	23,057,794
Cash payments for prizes and related taxes	(187,287,212)	(194,603,775)
Cash payments to suppliers of goods or services	(23,667,462)	(23,937,475)
Cash payments to employees for services	(5,886,077)	(6,052,341)
Net cash provided by operating activities	100,783,584	95,352,208
Cash flows from noncapital financing activities		
Cash payments to the Lottery Proceeds Fund	(118,174,195)	(110,049,245)
Cash flows from capital financing activities		
Proceeds from disposal of capital assets	214,600	36,244
Payments for acquisition of capital assets	(660,173)	(524,951)
Net cash used in capital financing activities	(445,573)	(488,707)
Cash flows from investing activities		
Receipts of interest	1,905,946	1,494,246
Net withdrawals (deposits) of short-term investments	1,618,638	(2,156,665)
Proceeds from investments in government securities	4,319,893	3,386,809
Payments for investments in government securities	(5,603,516)	(3,179,726)
Maturity of investments in prize annuities (note 3)	15,627,000	15,627,000
Net cash provided from investing activities	17,867,961	15,171,664
Net increase (decrease) in cash	31,777	(14,080)
Cash at July 1	53,054	67,134
Cash at June 30	\$84,831	\$53,054

(Continued)

The accompanying notes are an integral part of this statement.

**LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
PROPRIETARY FUND - ENTERPRISE FUND**

**Statements of Cash Flows
For the Years Ended June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$117,229,999	\$107,406,791
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	631,701	596,513
Accrued capital financing activities	39,135	(19,488)
Multi-State Lottery Association operating costs	118,498	152,959
Uncollectible accounts	132,765	68,850
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(1,368,902)	4,184,400
Decrease in prepaid expenses	354,795	1,378,793
(Increase) in other current assets	(33)	(5)
Decrease in deposits with Multi-State Lottery Association	781,000	667,117
(Decrease) in accounts payable	(188,571)	(52,751)
(Decrease) in wages, benefits, and withholdings payable	(10,147)	(78,683)
(Decrease) increase in compensated absences payable	(1,178)	15,771
(Decrease) in prizes and withholdings payable	(1,311,198)	(3,345,159)
(Decrease) in annual grand prizes payable	(15,627,000)	(15,627,000)
Increase in retailer security deposits	2,720	4,100
Total Adjustments	<u>(16,446,415)</u>	<u>(12,054,583)</u>
Net Cash Provided by Operating Activities	<u><u>\$100,783,584</u></u>	<u><u>\$95,352,208</u></u>
Non Cash Investing, Capital, and Financing Activities		
Net (decrease) in the fair value of investments	(\$1,014,680)	(\$247,917)
Interest accrued on deposits with Multi-State Lottery Association	\$376,031	\$207,264

(Concluded)

The accompanying notes are an integral part of this statement.

**LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA**

Notes to the Financial Statements
For the Years Ended June 30, 2006 and 2005

INTRODUCTION

The Louisiana Lottery Corporation (the Corporation) is created in accordance with Louisiana Revised Statutes (R.S.) 47:9000-9081 and 14:90(C) and began operating January 15, 1991. The Corporation is organized to provide for lottery games, operations, activities, and the payment of prizes. The affairs of the Corporation are administered by a board of directors appointed by the governor, subject to confirmation by the Senate. The Corporation is domiciled in East Baton Rouge Parish and operates five regional offices. For the fiscal years ended June 30, 2006, and June 30, 2005, the Corporation employed 138 employees and 147 employees, respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

Governmental Accounting Standards Board (GASB) Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The Corporation is considered a component unit of the State of Louisiana because the state has financial accountability for fiscal matters as follows: (1) the board of directors is appointed by the governor; (2) upon dissolution of the Corporation, title to all property owned by the Corporation shall vest in the State of Louisiana; and (3) the Corporation provides financial benefits to the state in the form of transfer of funds to the state treasury. The accompanying financial statements present information only as to the transactions of the programs of the Corporation, a component unit of the State of Louisiana. The Corporation is reported as an enterprise fund within the State of Louisiana's Comprehensive Annual Financial Report.

B. BASIS OF PRESENTATION

The Corporation uses a proprietary fund (enterprise fund) to report on its financial position and results of operations. The enterprise fund accounts for the activities relative to conducting a lottery, including, but not limited to, incurring and paying administrative costs and payment of prizes. The fund is operated in a manner similar to a private business enterprise where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, management control, accountability, or other purposes. Activities accounted for in the proprietary fund follow all applicable GASB pronouncements as well as applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, but not after this date.

C. BASIS OF ACCOUNTING AND MEASUREMENT FOCUS

Basis of accounting refers to the timing of recognition of revenues and expenses in the accounts and reporting in the financial statements, and the measurement focus refers to what transactions and events should be recorded. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting in accordance with generally accepted accounting principles. Under this method, revenues are recognized when they are earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.

Revenue

Operating revenue includes sales of lottery tickets and other fees related to operations. Nonoperating revenue includes investment earnings and gains from the disposal of assets. Sales are recognized when instant ticket packs are activated for sale and on-line game tickets are sold to the public by contracted retailers.

Prizes

Prize expense is recognized based on a predetermined prize structure for each instant ticket and on-line game as revenue is recognized. A portion of the instant ticket prize structures is funded with unclaimed prize money pursuant to R.S. 47:9025(D).

D. CAPITAL ASSET POLICY

The Corporation has established a \$1,000 threshold for capitalization of purchases of assets that have an estimated useful life of at least three years. In addition, substantial purchases may be capitalized even though the per unit cost may be less than \$1,000. Depreciation of capital assets is calculated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are derived from realistic expectations of the longevity of the assets based on past experience, published guidelines, and industry experience. The useful lives used in determining depreciation for the various types of assets are found in note 6 on page 33.

E. LEGISLATIVE BUDGET OVERSIGHT

R.S. 47:9010(A)(7) requires the Corporation, not later than 30 days before the beginning of each regular session of the legislature, to submit a proposed annual budget of the Corporation and projected net proceeds to the Joint Legislative Committee on the Budget for review and approval. The Corporation submitted its budget for fiscal year ended June 30, 2006, on March 24, 2005. The budget was approved by the Joint Legislative Committee on the Budget on April 25, 2005. A formal budgetary comparison is not required by GASB reporting standards for

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA

Notes to the Financial Statements (Continued)

proprietary funds and, therefore, a budgetary comparison for the fiscal year ended June 30, 2005, is not presented.

F. ADOPTION OF NEW ACCOUNTING PRINCIPLES

For the year ended June 30, 2006, the Corporation implemented GASB Statements No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, and No. 44, *Economic Condition Reporting: The Statistical Section*.

G. NONOPERATING EXPENSES

Nonoperating expenses only include payments to the state treasury.

2. CASH

Cash includes petty cash on hand of \$2,000 and demand deposits of \$82,831 at June 30, 2006, and \$51,054 at June 30, 2005. Under state law, the Corporation may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, national banks having their principal offices in the State of Louisiana, in savings accounts or shares of savings and loan associations and savings banks, and in share accounts and share certificate accounts of federally or state chartered credit unions.

Under state law, demand deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These pledged securities are held in a joint custody safekeeping account in the name of the Corporation and the fiscal agent bank in the form of book entry deposits in the Federal Reserve Bank of New York. The Corporation has deposit balances (collected bank balances) of \$75,353 at June 30, 2006, and \$51,720 at June 30, 2005, secured from risk by \$100,000 of federal deposit insurance.

3. INVESTMENTS, INVESTMENTS IN GOVERNMENT SECURITIES, AND INVESTMENTS IN PRIZE ANNUITIES

In accordance with state law and the Corporation's formal investment policy, funds may be invested in U.S. Treasury obligations and U.S. government agency obligations or in eligible mutual funds that invest in these securities, direct security repurchase agreements, and time certificates of deposit. The amount invested in U.S. agency securities cannot exceed sixty percent of all investments with maturities of 30 days or longer. In addition, for the purpose of payment of deferred prizes to winners, the Corporation may only invest in securities that are direct obligations of the U.S. Treasury. No specific credit ratings are required by the policy, but credit quality is inherently high because of limitations imposed by the policy.

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

Investments at June 30, 2006, consist of the following:

Investment Type	Fair Value	Credit Quality Rating	% of Investments	Investment Maturities (In Years)				
				Less Than 1	1-5	6-10	11-20	21-30
<u>Investments:</u>								
JPMorgan 100% US Treasury Securities Money Market Fund Capital Class	\$22,599,104	Aaa	16.35%	\$22,599,104				
<u>Investments in government securities:</u>								
United States Treasury Notes	11,480,689	1	8.31%	896,688	\$6,707,958	\$3,876,043		
Federal Farm Credit Banks (FFCB) Bonds and Notes	1,319,927	Aaa	0.96%		692,137	627,790		
Federal Home Loan Banks (FHLB) Bonds	1,064,490	Aaa	0.77%	199,062	865,428			
Federal Home Loan Mortgage Corporation (FHLMC) Notes	818,165	Aaa	0.59%	452,111	131,289	234,765		
Federal National Mortgage Association (FNMA) Notes	230,230	Aaa	0.17%		126,420	103,810		
FHLMC Mortgage-Backed Securities	1,943,051	unrated 2	1.41%		53,539	557,172	\$1,191,214	\$141,126
FNMA Mortgage-Backed Securities	2,803,425	unrated 2	2.03%		236,524	1,384,954	510,990	670,957
Government National Mortgage Association (GNMA) Mortgage-Backed Securities	402,873	1	0.29%			180,452	68,069	154,352
	20,062,850		14.53%	1,547,861	8,813,295	6,964,986	1,770,273	966,435
<u>Investments in prize annuities:</u>								
United States Treasury Zero Coupon Bonds	95,544,028	1	69.12%	15,249,017	53,888,403	25,613,558	793,050	
Total Investments	\$138,205,982		100.00%	\$39,395,982	\$62,701,698	\$32,578,544	\$2,563,323	\$966,435

* Credit quality ratings obtained from Moody's Investors Service.

1 Credit quality ratings not required for U.S. government and agency securities that are explicitly guaranteed by the U.S. government.

2 FHLMC and FNMA mortgage-backed securities are implicitly guaranteed by the U.S. government but are not rated by Moody's Investors Service.

Investments represent the fair value of U.S. Treasury money-market mutual fund shares held by the Corporation to finance daily operations. Investments in government securities are funds not needed for liquidity purposes that are invested in a portfolio of direct longer-term investments in U.S. government and agency securities. These securities are also recorded at fair value.

Investments in prize annuities totaling \$64,861,879 at June 30, 2006, and \$76,568,302 at June 30, 2005, are in the form of U.S. Treasury zero coupon bonds. These investments were purchased to finance the grand prizes of the Lotto game and the selected top prizes of two instant ticket games that are payable over a 20-year period.

Investments in prize annuities totaling \$30,682,149 and \$35,082,775 at June 30, 2006, and June 30, 2005, respectively, were purchased to finance the Louisiana grand prize winners of the Multi-State Lottery Association (MUSL) Powerball game. The MUSL purchased U.S. Treasury zero coupon bonds to fund the grand prizes that are payable over 20 years. As the bonds mature, the funds are transferred to the Corporation for the annual prize payments to the winners.

The zero coupon bonds are reported at fair value as required by GASB Statement 31. The corresponding liability to the prize winners is recorded in prizes payable and is disclosed in note 8. Cash receipts from the maturity of investments in prize annuities totaled \$15,627,000 in fiscal year ending June 30, 2006, and in fiscal year ending June 30, 2005.

LOUISIANA LOTTERY CORPORATION
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Notes to the Financial Statements (Continued)

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Corporation will not be able to recover the value of its investments that are in the possession of an outside party. Louisiana state law requires that securities purchased as investments by the Corporation are issued in the name of the Corporation and safekept at a custodian financial institution or Federal Reserve Bank domiciled in the state of Louisiana. Investments, investments in government securities, and the investments in prize annuities purchased by the Corporation are held by the custodial bank's trust department in the Corporation's name. The investments in prize annuities purchased by MUSL are held by MUSL's custodial bank's trust department in the name of MUSL with the Corporation as the beneficiary.

Interest rate risk is the risk that an investment's fair value decreases as market interest rates increase. Typically, this risk is higher in debt securities with longer maturities. The Corporation's investment policy states that investment maturities must be scheduled to coincide with cash requirements. Interest rate risk is managed according to the purpose of the investments and the projected time frame for the use of these assets.

As stated previously, the investments in the money market fund are used to fund daily operations. These investments are not subject to interest rate risk because the underlying investments in treasury bills and notes have very short-term maturities, funds can be deposited and withdrawn daily, and the fund's share price remains stable.

Investments in government securities consist of funds that are not expected to be needed in the near future. Investment maturities for this portfolio are scheduled for an average intermediate time horizon. The portfolio is managed to provide investment allocations, characteristics, and yields consistent with its benchmark, the Lehman Brothers Intermediate Government Bond Index. Interest rate risk is managed by structuring the average maturity and duration of the investments to the benchmark.

The investments in mortgage-backed securities are based on flows from payments on the underlying mortgages that contain prepayment options which cause them to be highly sensitive to changes in interest rates. Generally, when interest rates fall, obligees tend to prepay the assets, thus eliminating the stream of interest payments that would have been received under the original amortization schedule. This reduced cash flow diminishes the fair value of the asset-backed investment.

The risk that the Corporation will actually realize material losses from its investments in government securities resulting from changes in market interest rates is mitigated by the low probability that these securities will have to be sold before maturity.

The investments in prize annuities are also subject to fluctuations in fair value due to interest rate risk, but these bonds are held to maturity to satisfy the annual installment obligations to the prize winners. The fair value at maturity is the face value of the bonds, regardless of the fluctuations in value during the time period that the investments are outstanding.

LOUISIANA LOTTERY CORPORATION
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Notes to the Financial Statements (Continued)

4. ACCOUNTS RECEIVABLE

As reflected on the statement of net assets, the receivables of the Corporation are as follows:

	As of June 30, 2006	As of June 30, 2005
Retailer accounts receivable	\$7,729,631	\$6,403,079
Interest receivable	354,650	321,872
Miscellaneous receivable	27,475	
Allowance for uncollectible accounts	<u>(122,719)</u>	<u>(23,962)</u>
Total	<u><u>\$7,989,037</u></u>	<u><u>\$6,700,989</u></u>

The allowance for uncollectible accounts is based on an analysis of accounts receivable that considers the age of the accounts and the expected collectibility of each account.

5. PREPAID EXPENSES

Prepaid expenses represent unsold instant ticket inventory held by the Corporation and its licensed retailers, insurance paid for coverage after the fiscal year-end, and prepayments for postage, advertising, maintenance agreements, and other expenses. During the fiscal year ending June 30, 2005, the Corporation entered into a new contract for instant ticket printing and related services. Under the previous contract, ticket inventories were valued at cost and were expensed over the life of each game as they were sold to the public. Unused and returned tickets were written off at the end of each game. Under the terms of the new agreement, the vendor is compensated at a rate of 1.589% of instant tickets sold. Ticket inventory will no longer be included on the statement of net assets. The remaining balance at June 30, 2005, of \$73,334 represents unsold inventory remaining from the previous contract.

In addition, the unamortized portion of a one-time lump sum payment for the use of an instant ticket accounting and administrative computer system for eight years beginning July 1, 2002, is included in prepaid expenses. The total fee of \$2,375,000 was paid to the system vendor in July 2002 upon the successful implementation of all required hardware and software. An annual amortization of \$296,875 is included as a direct cost in lottery system vendor fees on Statement B.

The balances of prepaid expenses are as follows:

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Notes to the Financial Statements (Continued)

	As of June 30, 2006	As of June 30, 2005
Current prepaid expenses:		
Ticket inventory		\$73,334
Insurance	\$96,847	86,688
Lottery system vendor fees	296,875	296,875
Miscellaneous	94,670	83,138
Total	<u>\$488,392</u>	<u>\$540,035</u>
Noncurrent prepaid expenses:		
Lottery system vendor fees	\$890,625	\$1,187,500
Miscellaneous	20,150	26,400
Total	<u>\$910,775</u>	<u>\$1,213,900</u>

6. CAPITAL ASSETS

Capital assets of the Corporation are included on the statement of net assets at historical cost. Depreciable capital assets are shown net of accumulated depreciation. Depreciation of capital assets is charged as an operating expense. Depreciation for financial reporting purposes is computed by the straight-line method over the estimated useful lives of the assets. As assets are retired or sold, the cost and related accumulated depreciation are removed from the appropriate property and equipment accounts. The resulting gain or loss on disposal is reflected in nonoperating revenues and expenses. A summary of changes in capital assets follows:

	June 30, 2005	Additions	Deletions	June 30, 2006
Land	<u>\$1,542,415</u>	<u>NONE</u>	<u>NONE</u>	<u>\$1,542,415</u>
Depreciable Capital Assets:				
Land improvements	\$2,490			\$2,490
Buildings	3,849,715			3,849,715
Building improvements	9,667			9,667
Leasehold improvements	167,008	\$241,409	(\$63,658)	344,759
Furniture and fixtures	558,786	32,068	(25,231)	565,623
Equipment	847,882	40,847	(49,523)	839,206
Data processing software and equipment	1,729,906	116,314	(332,756)	1,513,464
Communications	350,459	31,870	(13,755)	368,574
Automobiles	1,203,490	170,750	(419,145)	955,095
Total	<u>8,719,403</u>	<u>633,258</u>	<u>(904,068)</u>	<u>8,448,593</u>
Less - accumulated depreciation:				
Land improvements	(685)	(249)		(934)
Buildings	(336,417)	(99,740)		(436,157)
Building improvements	(1,841)	(644)		(2,485)
Leasehold improvements	(156,399)	(46,188)	63,658	(138,929)
Furniture and fixtures	(363,803)	(100,412)	22,424	(441,791)
Equipment	(619,940)	(65,637)	49,377	(636,200)
Data processing software and equipment	(1,463,476)	(138,049)	320,264	(1,281,261)
Communications	(350,291)	(167)	13,755	(336,703)
Automobiles	(905,312)	(180,615)	416,791	(669,136)
Total accumulated depreciation	<u>(4,198,164)</u>	<u>(631,701)</u>	<u>886,269</u>	<u>(3,943,596)</u>
Net Depreciable Capital Assets	<u>\$4,521,239</u>	<u>\$1,557</u>	<u>(\$17,799)</u>	<u>\$4,504,997</u>

LOUISIANA LOTTERY CORPORATION
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Notes to the Financial Statements (Continued)

	<u>June 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2005</u>
Land	<u>\$1,542,415</u>	<u>NONE</u>	<u>NONE</u>	<u>\$1,542,415</u>
Depreciable Capital Assets:				
Land improvements	\$2,490			\$2,490
Buildings	3,849,715			3,849,715
Building improvements	9,667			9,667
Leasehold improvements	159,681	\$7,327		167,008
Furniture and fixtures	556,792	1,994		558,786
Equipment	1,200,130	79,127	(\$431,375)	847,882
Data processing software and equipment	1,586,431	225,929	(82,454)	1,729,906
Communications	350,459			350,459
Automobiles	1,023,712	230,062	(50,284)	1,203,490
Total	<u>8,739,077</u>	<u>544,439</u>	<u>(564,113)</u>	<u>8,719,403</u>
Less - accumulated depreciation:				
Land improvements	(436)	(249)		(685)
Buildings	(236,678)	(99,739)		(336,417)
Building improvements	(1,197)	(644)		(1,841)
Leasehold improvements	(135,151)	(21,248)		(156,399)
Furniture and fixtures	(262,323)	(101,480)		(363,803)
Equipment	(987,135)	(53,802)	420,997	(619,940)
Data processing software and equipment	(1,411,494)	(134,436)	82,454	(1,463,476)
Communications	(341,788)	(8,503)		(350,291)
Automobiles	<u>(764,612)</u>	<u>(176,412)</u>	<u>35,712</u>	<u>(905,312)</u>
Total accumulated depreciation	<u>(4,140,814)</u>	<u>(596,513)</u>	<u>539,163</u>	<u>(4,198,164)</u>
Net Depreciable Capital Assets	<u><u>\$4,598,263</u></u>	<u><u>(\$52,074)</u></u>	<u><u>(\$24,950)</u></u>	<u><u>\$4,521,239</u></u>

The estimated useful lives used in determining depreciation for the various types of assets are as follows:

Land improvements	10 years
Buildings	30 to 40 years
Building improvements	15 years
Leasehold improvements	36 months
Furniture and fixtures	60 months
Equipment	60 months to 120 months
Data processing software and equipment	36 months
Communications	36 months
Automobiles	36 months

7. MULTI-STATE LOTTERY ASSOCIATION

MUSL is an unincorporated government-benefit voluntary association created for the purpose of administering joint lottery games. MUSL currently includes 29 state lottery entities, the District of Columbia, and the Virgin Islands. This association offers the Powerball on-line game and several other on-line games in participating states.

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Notes to the Financial Statements (Continued)

A game show funded from sales of Powerball instant tickets was discontinued during fiscal year ended 2005. The chief executive officer of each member lottery serves on the MUSL board of directors.

During the fiscal year, the Corporation participated in the MUSL Powerball on-line game. As a member of MUSL, the Corporation is required to contribute to various prize reserve funds maintained by MUSL. The prize reserve funds serve as a contingency reserve to protect MUSL from unforeseen prize liabilities. MUSL reallocates the prize reserve funds twice a year between the states based on relative Powerball sales levels. All remaining funds remitted, and the related interest earnings, will be returned to the Corporation upon leaving MUSL, less any portion of unanticipated prize claims, which may have been paid from the fund.

The Corporation has contributed all required reserve funds. As of June 30, 2006, and June 30, 2005, the Corporation had deposits with MUSL of \$6,185,943 and \$6,709,410, respectively, representing the Corporation's deposits of reserve funds and the deposit for the Corporation's share of related interest earnings on these funds.

A copy of the MUSL financial statements may be obtained by submitting a written request to MUSL, 4400 N.W. Urbandale Drive, Urbandale, Iowa 50322.

8. PRIZES PAYABLE

Prizes for the on-line games are redeemable for 180 days after a drawing. Prizes for instant games are redeemable for 90 days after the announced end of the game. All prizes not claimed by the applicable deadline are classified as unclaimed and added to the pool from which future prizes are to be awarded or used for special prize promotions pursuant to R.S. 47:9025(D).

Lotto grand prizes of \$1 million or more and grand prizes of two instant ticket games are payable in 20 annual installments. The first installment is paid on the day the prize is claimed. The 19 subsequent equal annual payments are funded with U.S. Treasury zero coupon bonds purchased by the Corporation.

On March 23, 1995, the Lotto Game Play Directive was amended to state that Lotto grand prizes shall be paid in a single lump-sum payment. The first Lotto drawing with a grand prize winner under this new directive was on July 29, 1995.

The Corporation also has Powerball grand prize winner installment obligations. The MUSL purchased U.S. Treasury zero coupon bonds to fund the grand prizes that are payable over 20 years. As the bonds mature, the funds are transferred to the Corporation for the annual prize payments to the winners.

The liabilities for the grand prize installments are recorded at the fair value of the investments purchased to fund these obligations. All income generated from these bonds, including changes in fair value, accrues as a liability to the prize winners.

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Notes to the Financial Statements (Continued)

	<u>As of</u> <u>June 30, 2006</u>	<u>As of</u> <u>June 30, 2005</u>
Current Prizes and Withholdings Payable:		
Annual grand prize payments (face value)	\$15,627,000	\$15,627,000
Less imputed interest	<u>(357,347)</u>	<u>(365,681)</u>
Net present value of annual grand prize payments	15,269,653	15,261,319
Adjustment to current fair value	<u>(20,636)</u>	<u>113,259</u>
Fair value of prize annuities	15,249,017	15,374,578
Instant prizes payable	6,767,634	4,806,475
On-line prizes payable	7,523,323	9,900,518
Unclaimed prizes payable	295,099	1,471,298
Due to MUSL prize pool	1,021,700	215,645
Tax withholdings payable	<u>209,912</u>	<u>81,213</u>
Total Current Prizes and Withholdings Payable	<u><u>\$31,066,685</u></u>	<u><u>\$31,849,727</u></u>
Noncurrent Prizes Payable:		
Annual grand prize payments (face value)	\$99,484,000	\$115,111,000
Less imputed interest	<u>(17,907,948)</u>	<u>(23,169,918)</u>
Net present value of long-term annual grand prize payments	81,576,052	91,941,082
Adjustment to current fair value	<u>(1,281,041)</u>	<u>4,335,417</u>
Fair value of prize annuities	80,295,011	96,276,499
MUSL prize reserve payable	4,290,000	5,071,000
Unclaimed prizes payable	<u>6,364,285</u>	<u>6,236,990</u>
Total Noncurrent Prizes Payable	<u><u>\$90,949,296</u></u>	<u><u>\$107,584,489</u></u>

9. VACATION AND SICK LEAVE

Corporation employees earn vacation leave at various rates depending on the employees' position and the number of years of service. All employees must complete six months of service, measured from the date of hire, before they are eligible to use accrued vacation or receive termination payment for unused vacation. Vacation leave may neither be carried forward into the next year nor shall the employee receive additional pay for unused vacation at year-end. Upon termination, employees will be paid in full for unused eligible and current year's accrued vacation leave. Employees earn sick leave at the rate of eight days per year after the completion of six months of continuous employment. Sick leave may be carried forward to the next year and accumulated to a maximum of 20 days. Employees are not paid for accrued sick leave upon termination. At June 30, 2006, and June 30, 2005, the total value of compensated absences payable are \$324,783 and \$325,961, respectively.

LOUISIANA LOTTERY CORPORATION
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Notes to the Financial Statements (Continued)

10. CHANGES IN NONCURRENT LIABILITIES

Noncurrent liability activity for the years ended June 30, 2006 and 2005, was as follows:

	<u>June 30, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2006</u>	<u>Due Within One Year</u>
Prizes Payable:					
Fair value of prize annuities	\$111,651,077		(\$16,107,049)	\$95,544,028	\$15,249,017
MUSL prize reserve payable	5,071,000		(781,000)	4,290,000	NONE
Unclaimed prizes payable	<u>7,708,288</u>	<u>\$7,326,593</u>	<u>(8,375,497)</u>	<u>6,659,384</u>	<u>295,099</u>
Total Prizes Payable	124,430,365	7,326,593	(25,263,546)	106,493,412	15,544,116
Retailer Security Deposits	<u>148,670</u>	<u>2,780</u>	<u>(60)</u>	<u>151,390</u>	<u>NONE</u>
Total	<u>\$124,579,035</u>	<u>\$7,329,373</u>	<u>(\$25,263,606)</u>	<u>\$106,644,802</u>	<u>\$15,544,116</u>

	<u>June 30, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2005</u>	<u>Due Within One Year</u>
Prizes Payable:					
Fair value of prize annuities	\$121,053,285	\$6,224,792	(\$15,627,000)	\$111,651,077	\$15,374,578
MUSL prize reserve payable	5,738,116		(667,116)	5,071,000	NONE
Unclaimed prizes payable	<u>8,364,279</u>	<u>9,464,169</u>	<u>(10,120,160)</u>	<u>7,708,288</u>	<u>1,471,298</u>
Total Prizes Payable	135,155,680	15,688,961	(26,414,276)	124,430,365	16,845,876
Retailer Security Deposits	<u>144,570</u>	<u>4,280</u>	<u>(180)</u>	<u>148,670</u>	<u>NONE</u>
Total	<u>\$135,300,250</u>	<u>\$15,693,241</u>	<u>(\$26,414,456)</u>	<u>\$124,579,035</u>	<u>\$16,845,876</u>

11. RETIREMENT BENEFITS

A. AUTHORIZATION AND BASIS OF ACCOUNTING

R.S. 47:9015(A) states that the Corporation shall provide or arrange for a retirement plan. The retirement plans have been established pursuant to this statute. The plans' provisions and contribution requirements are established and amended by the Board of Directors of the Corporation. A financial and compliance audit has been performed on all the Corporation's retirement plans for the plans' year ending December 31, 2005. A copy of the audit reports may be obtained by submitting a written request to the Louisiana Lottery Corporation, 555 Laurel Street, Baton Rouge, Louisiana 70801.

Administrative and investment services were provided by Principal Life Insurance Company.

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Notes to the Financial Statements (Continued)

The financial statements of the Corporation's plans are accounted for using the accrual basis of accounting. Investments are reported at fair value, which is based on deposit values and quoted market prices.

B. BASIC AND SUPPLEMENTAL RETIREMENT PLANS

1. Basic Retirement Plan

The Corporation has a money purchase plan under Section 401(a) of the Internal Revenue Code (IRC) of 1986, as amended, which is intended to constitute a safe harbor within the meaning of Section 3121 (b)(7) of the code and the regulations promulgated thereunder. The Basic Retirement Plan, which is a defined contribution plan, began September 1, 1993, with all employees eligible except those who elect coverage under a state retirement plan and those who are either independent contractors or leased employees.

Under the terms of the plan, an employee is eligible to participate in the plan immediately upon employment.

As defined in the Basic Retirement Plan, the Corporation's contribution shall be 5% of the participant's compensation for such plan year. The participant's contribution shall equal 6.2% of his or her compensation for such plan year.

A participant is fully vested immediately. In no event shall the assets of this plan revert for the benefit of the Corporation. No more than the social security wage base in effect as of the first day of the plan year shall be treated as compensation. As of June 1, 1994, the Corporation elected to treat all contributions to the Basic Retirement Plan as pre-tax.

The distribution of a participant's benefits shall commence as of the date designated by the participant (annuity starting date) after termination of employment with the Corporation, but shall not be later than April 1 of the year following the calendar year in which the participant attains age 70½. The participant shall make a qualified election to receive the distribution in the form of a single-sum payment or to purchase a qualified joint and survivor annuity or single life annuity contract. This qualified election may be revoked, modified, or amended at any time or multiple times before the participant's annuity starting date; however, the qualified election is irrevocable as of the participant's annuity starting date.

2. Supplemental Retirement Plan

The Corporation has a defined contribution retirement plan that covers substantially all full-time employees. The Corporation contributes 4.5% of each participant's compensation for the year, as defined. Generally, participants are not permitted to contribute to the plan; however, participants may contribute proceeds from a qualified rollover distribution as allowed by IRC Section 402. An eligible employee shall participate in the plan as of the

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Notes to the Financial Statements (Continued)

entry date that coincides with or immediately follows the date on which the eligible employee completes 90 consecutive calendar days of employment with the Corporation.

In addition, each plan year, the Board of Directors of the Corporation may determine the amount of a discretionary contribution not to exceed 2% of each participant's compensation for any plan year.

A participant's amount shall be fully vested and nonforfeitable upon such participant's death, disability, or attainment of the normal retirement age (65 years of age) or upon the completion of three years of service. A year of service is a plan year in which a participant is credited with 1,000 hours of service. Any forfeiture of nonvested amounts shall be reallocated to the accounts of all the remaining participants. In no event shall the assets of this plan revert for the benefit of the Corporation.

The distribution of a participant's vested and nonforfeitable portion of his/her account shall be made in the form of a single-sum payment after the participant terminates employment with the Corporation, attains the normal retirement age, or dies. A participant may elect to postpone the distribution, in writing on forms provided by the Employee Benefits Committee, provided, however, in no event shall distribution be postponed later than April 1 following the close of the calendar year in which the participant attains age 70½.

As of June 30, 2006, there were 150 participants in the Basic Plan and 121 participants in the Supplemental Plan.

For the fiscal year ended June 30, 2006, employer and employee contributions to the Basic Plan were \$248,552 and \$309,093, respectively. The employer contributions for the Supplemental Plan were \$297,544.

For the fiscal year ended June 30, 2005, employer and employee contributions to the Basic Plan were \$254,219 and \$316,250, respectively. The employer contributions for the Supplemental Plan were \$313,799.

**C. OPTIONAL SAVINGS PLAN
(DEFERRED COMPENSATION PLAN)**

The Optional Savings Plan is a voluntary Deferred Compensation Plan adopted under the provisions of IRC Section 457. Under the terms of the Plan, an employee is eligible to participate in the Plan as of the entry date that coincides with or immediately follows the date on which the employee completes a 90-day employment period. For the plan year, the sum of compensation deferred by a participant and the Corporation's matching contributions made on behalf of such participant shall not exceed the lesser of such participant's compensation or \$14,000. The Corporation contributes a matching contribution equal to the amount of compensation deferred by each participant up to 2.5% of each participant's

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Notes to the Financial Statements (Continued)

compensation as reported on Internal Revenue Service (IRS) Form W-2, increased by the amount of any deferral under this Plan.

A participant's matching contribution account is fully vested and nonforfeitable upon such participant's death, disability, or attainment of the normal retirement age (65 years of age) or upon the completion of three years of service. A year of service is a plan year in which a participant is credited with 1,000 hours of service. Any forfeiture of nonvested amounts is reallocated to the matching accounts of all the remaining participants.

Before August 20, 1996, under requirements of IRC Section 457, the assets in the Plan remained the property of the employer until paid or made available to participants, subject only to the claims of the employer's general creditors. On August 20, 1996, IRC Section 457 was amended by the Small Business Job Protection Act to require that all assets and income of the Plan be held in trust for the exclusive benefit of the participants and their beneficiaries. The Corporation amended the Optional Savings Plan on January 1, 1997, to reflect this change in the IRC.

Benefits are payable to former employees at the time and in the manner designated by the participants on a distribution election form. In no event may a participant defer payment of benefits later than April 1 of the calendar year immediately following the year in which the participant attains age 70½. The distribution of benefits shall be made either in the form of a single-sum payment or in the form of substantially equal annual installment payments not to exceed 15 years.

As of June 30, 2006, there were 118 participants in the Optional Savings Plan.

For the fiscal year ended June 30, 2006, employer and employee contributions were \$111,173 and \$295,426, respectively. For the fiscal year ended June 30, 2005, employer and employee contributions were \$112,565 and \$273,376, respectively.

12. LITIGATION

The Corporation has been named in four lawsuits. The Corporation's legal counsel does not anticipate a potential loss to the Corporation resulting from these lawsuits.

13. RISK MANAGEMENT

The Corporation is exposed to various risks of loss related to torts, theft of, damage to and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Corporation has purchased commercial insurance to cover these risks. During the fiscal year ending June 30, 2006, the Corporation eliminated comprehensive and collision physical damage insurance coverage for its fleet of vehicles. The premium costs outweighed the potential benefit of claims coverage for this risk. In addition, management has established a litigation and prize reserve of \$6,500,000 within the Corporation's net assets to cover unanticipated losses (see note 15). The amount of

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Notes to the Financial Statements (Continued)

commercial coverage has not decreased, except as noted above, nor has the amount of settlements exceeded coverage in any of the past three fiscal years.

14. LEASE AND RENTAL COMMITMENTS

The Corporation has noncancelable operating leases with the following annual rental payments for the next seven years:

	<u>Equipment</u>	<u>Facilities</u>	<u>Total</u>
2006-2007	\$123,324	\$221,299	\$344,623
2007-2008	114,997	185,608	300,605
2008-2009	114,240	109,938	224,178
2009-2010	20,400	109,938	130,338
2010-2011	3,060	109,938	112,998
2011-2013		44,636	44,636
Total	<u>\$376,021</u>	<u>\$781,357</u>	<u>\$1,157,378</u>

The total operating lease payments for the years ended June 30, 2006, and June 30, 2005, were \$333,787 and \$340,483, respectively.

The Corporation has no capital leases at June 30, 2006.

15. NET ASSETS

The Corporation has unrestricted net assets at June 30, 2006, of \$17,117,507. As presented in the 2006-2007 fiscal year budget approved by the Joint Legislative Committee on the Budget on March 17, 2006, management has specified that net assets of June 30, 2006, be used for the following purposes:

Specified Uses of Net Assets

Capital asset replacement reserve	\$6,600,000
Instant ticket accounting	
and administrative computer system	1,187,500
New capital expenditure purchases	389,000
Litigation and prize reserve	6,500,000
Deposits	13,710
New game development, retailer incentives, and future expenditures	<u>2,600,000</u>
Total budgeted net assets	17,290,210
Plus - difference in budgeted net assets and actual	<u>(172,703)</u>
Total unrestricted net assets	<u>\$17,117,507</u>

16. PAYMENTS TO THE STATE TREASURY

The Corporation is required to transfer each year not less than 35% of gross revenues to the state treasury. In addition, the amount of gross revenues less costs that is determined to be surplus to the needs of the Corporation must be remitted to the state treasury.

17. EXTRAORDINARY ITEM

The extraordinary item of \$186,487 represents the net insurance recovery gain resulting from damage caused to the Corporation's regional office in Metairie by Hurricane Katrina in August 2005. This gain is the excess of insurance proceeds of \$192,067 over the remaining net book value of impaired capital assets of \$5,580. The Corporation used the proceeds to rebuild the office and replace the destroyed capital assets. These costs are included in the additions to capital assets in note 6.

18. BOARD OF DIRECTORS

The board of directors consists of nine members appointed by the governor and confirmed by the Senate. No member shall serve more than two consecutive four-year terms. The board of directors must meet at least bimonthly and at such other times as the chairperson or the president may determine.

**LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
SUPPLEMENTAL INFORMATION SCHEDULES
For the Years Ended June 30, 2006 and 2005**

SCHEDULE OF PROFESSIONAL SERVICE FEES

Schedule 1 presents professional service fees for the years ended June 30, 2006, and June 30, 2005. This schedule is prepared in compliance with Senate Concurrent Resolution No. 35 of the 1974 Session of the Louisiana Legislature.

SCHEDULE OF COMPENSATION PAID BOARD MEMBERS

Schedule 2 presents the compensation paid board members for the years ended June 30, 2006, and June 30, 2005. Louisiana Revised Statute 47:9004(D) provides that appointed members of the board of directors shall be entitled to \$15,000 per year, except for the chairperson, who shall receive \$25,000 per year. This schedule is prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

Schedule 1**LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA****Schedule of Professional Service Fees
For the Years Ended June 30, 2006 and 2005**

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Attorney General's Office, Department of Justice - legal counsel	\$88,875	\$88,875
HKC, Inc. - sales consulting	5,000	
Miscellaneous	127	297
Office of Legislative Auditor - financial and compliance audit and observations of on-line drawings	119,984	117,524
Phelps Dunbar, Counselors-at-Law - legal counselors	20,226	12,699
Scientific Games - market research	31,034	
The Open Group - National Standards Initiative quality assurance best practices certification	16,000	
	<u>16,000</u>	<u></u>
Total	<u>\$281,246</u>	<u>\$219,395</u>

**LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA**

**Schedule of Compensation Paid Board Members
For the Years Ended June 30, 2006 and 2005**

	<u>Effective Date of Term</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>
O. Kent Andrews	March 6, 2006	\$4,798	
Carl W. Bauer, Chairman effective June 25, 2005	January 4, 1999	25,000	\$15,167
Edwine Billiot	March 9, 2006	4,677	
Brandi Bollinger	July 28, 2000	15,000	15,000
Larry C. Cager	March 18, 2005	15,000	4,314
Salvatore A. Caruso, Sr.	April 1, 2004	15,000	15,000
Pamela Daniel	April 26, 2004	15,000	15,000
Stewart Gentry, Chairman through June 24, 2005	June 24, 1994*	10,040	24,833
Patricia C. Mason	February 27, 1997		10,040
Wilbert D. Pryor	November 20, 1998*	10,040	15,000
La Koshia Roberts	March 14, 2006	4,476	
Oray P. Rogers	January 1, 1998*	10,040	15,000
Linda Temple	January 8, 1999	15,000	15,000
Total		<u>\$144,071</u>	<u>\$144,354</u>

*Terms expired March 1, 2006

STATISTICAL SECTION

(UNAUDITED)

**LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
STATISTICAL INFORMATION SECTION**

This section of the Louisiana Lottery Corporation's comprehensive annual financial report presents detailed information as a supplement to the information presented in the financial statements and note disclosures to assist readers in assessing the Corporation's overall financial health.

<u>CONTENTS</u>	PAGE
FINANCIAL TRENDS	46
These schedules contain trend information from the current year and prior years' comprehensive annual financial reports to help a reader understand how the Corporation's financial performance and position have changed over time.	
REVENUE CAPACITY	58
These schedules contain information to help the reader assess the factors affecting the Corporation's ability to generate sales of lottery tickets. Instant ticket game strategies, including launch schedules and price points, affect the availability and variety of product for purchase at retailer locations. On-line sales by game included in the financial trends section provide data about the variety of these drawing-based games that are available to the public. The network of lottery retailers throughout the state determines the market exposure for the Corporation's instant and on-line games.	
DEMOGRAPHIC AND ECONOMIC INFORMATION	60
These schedules contain demographic and economic indicators to help a reader understand the environment in which the Corporation operates.	
OPERATING INFORMATION	62
These schedules contain information about the Corporation's organizational structure, financial performance indicators compared to other state lotteries, and capital asset information.	

If available, statistical information is provided for the most recent ten years. Some sections contain less than ten years of data because the information was accumulated and retained in that format only back to the latest year reported. Prospectively, the data will be accumulated and ultimately, the schedules will contain information for a ten-year period.

FINANCIAL TRENDS

The Louisiana Lottery Corporation began operating in January 1991 and commenced ticket sales in September 1991. Data from the last ten fiscal years of lottery operations are presented in the following charts. The pie charts that illustrate the allocation of revenues include data from the inception of the Corporation through June 30, 2006.

The information presented in the charts is as follows:

Sales

Instant Tickets - represent the face value of tickets activated by retailers.

On-line - represents the face value of tickets sold to the public.

Revenues

Includes sales, interest income, increases or decreases in the fair value of investments, retailer license fees, miscellaneous revenue, and net gains or losses on disposal of assets.

Prize expense

Represents the accrued expenses for instant tickets and on-line game winners based on established prize structures.

Retailer compensation

Represents 5% base sales commission and incentive payments.

Other direct costs

Expenses which fluctuate with sales volume including commission paid to the on-line vendor, the cost of purchasing instant tickets, the cost of delivery to retailers, and on-line network communication costs.

Administrative expenses

Include all other costs of operating the Lottery.

Payments to state treasury

Represent the payment of net revenues to the State Treasury Lottery Proceeds Fund as required by Louisiana Lottery Law.

Unless otherwise noted, the source for the data contained in the following charts is the Accounting Department of the Louisiana Lottery Corporation.

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
(Unaudited)
Schedule of Net Assets and Changes in Net Assets
Fiscal Year Ending June 30 for the Years Shown

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
REVENUES										
Operating revenues										
Instant tickets sales	\$113,626,649	\$123,273,680	\$109,663,765	\$110,565,624	\$111,610,821	\$111,272,825	\$102,548,975	\$111,430,717	\$104,102,165	\$118,864,811
On-line sales:										
Lotto	40,416,940	36,876,518	30,128,516	28,162,106	29,676,878	30,827,589	33,741,468	33,117,070	32,830,084	30,222,661
Pick 3	41,743,623	43,977,773	45,073,532	41,230,679	43,069,697	44,902,518	45,119,544	47,445,594	47,788,205	43,604,915
Easy 5	13,139,044	8,896,149	2,551,846							
Powerball	67,288,303	73,907,516	96,785,043	75,913,752	76,391,929	101,111,768	105,256,703	118,284,225	91,357,450	108,535,895
Daily Millions	4,439,290	5,963,955								
Cash Quest			7,041,397	6,339,545	4,676,082	3,727,622	4,358,907	6,128,809	5,356,444	4,771,713
Pick 4			4,986,511	14,171,768	14,894,112	17,329,613	20,430,534	23,685,810	25,572,243	26,116,665
Rolldown					4,149,373	2,449,910				
Total on-line sales	<u>167,027,200</u>	<u>169,621,911</u>	<u>186,566,845</u>	<u>165,817,850</u>	<u>172,858,071</u>	<u>200,349,020</u>	<u>208,907,156</u>	<u>228,661,508</u>	<u>202,904,426</u>	<u>213,251,849</u>
Total sales	280,653,849	292,895,591	296,230,610	276,383,474	284,468,892	311,621,845	311,456,131	340,092,225	307,006,591	332,116,660
Other operating revenues										
Allowance for uncollectible accounts	(45,781)	(45,339)	(43,644)	(26,409)	(5,000)	(25,000)	(39,659)	(74,046)	(60,832)	(127,279)
Other income	<u>45,555</u>	<u>50,447</u>	<u>93,380</u>	<u>81,389</u>	<u>35,964</u>	<u>16,882</u>	<u>108,569</u>	<u>100,259</u>	<u>16,269</u>	<u>65,740</u>
Total other operating revenues	<u>(226)</u>	<u>5,108</u>	<u>49,736</u>	<u>54,980</u>	<u>30,964</u>	<u>(8,118)</u>	<u>68,910</u>	<u>26,213</u>	<u>(44,563)</u>	<u>(61,539)</u>
Total operating revenues	280,653,623	292,900,699	296,280,346	276,438,454	284,499,856	311,613,727	311,525,041	340,118,438	306,962,028	332,055,121
Nonoperating revenues										
Interest earned on investments	3,114,069	3,210,947	3,113,666	3,425,513	3,408,868	2,261,711	1,706,209	1,524,103	1,751,259	2,314,754
Net increase (decrease) in the fair value of investments	27,217	174,129	(449,863)	(276,126)	654,715	418,422	498,679	(1,171,452)	(247,917)	(1,014,680)
Net gain (loss) on disposal of assets	<u>34,372</u>	<u>(68,711)</u>	<u>20,432</u>	<u>33,148</u>	<u>22,267</u>	<u>45,512</u>	<u>58,568</u>	<u>17,454</u>	<u>11,292</u>	<u>41,666</u>
Total nonoperating revenues	<u>3,175,658</u>	<u>3,316,365</u>	<u>2,684,235</u>	<u>3,182,535</u>	<u>4,085,850</u>	<u>2,725,645</u>	<u>2,263,456</u>	<u>370,105</u>	<u>1,514,634</u>	<u>1,341,740</u>
Total revenues	<u>283,829,281</u>	<u>296,217,064</u>	<u>298,964,581</u>	<u>279,620,989</u>	<u>288,585,706</u>	<u>314,339,372</u>	<u>313,788,497</u>	<u>340,488,543</u>	<u>308,476,662</u>	<u>333,396,861</u>

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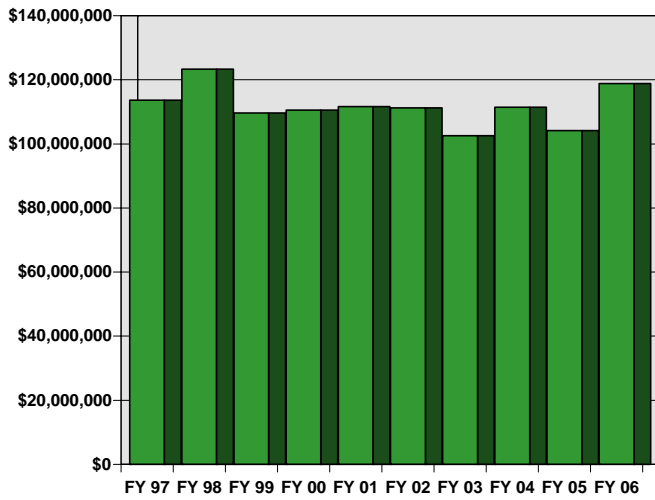
LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
(Unaudited)
Schedule of Net Assets and Changes in Net Assets
Fiscal Year Ending June 30 for the Years Shown

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
OPERATING EXPENSES										
Direct costs:										
Prize expense	\$139,773,269	\$147,071,812	\$148,940,656	\$138,747,688	\$142,025,272	\$155,559,230	\$155,908,816	\$169,776,455	\$153,257,203	\$168,235,254
Retailer compensation	15,325,737	16,270,676	16,371,789	15,482,787	15,923,481	17,284,582	17,072,192	18,664,893	16,859,899	18,503,567
Other direct costs	9,560,285	8,569,499	10,189,939	9,120,072	10,294,618	11,839,126	11,992,751	12,842,890	11,775,524	11,973,524
Total direct costs	<u>164,659,291</u>	<u>171,911,987</u>	<u>175,502,384</u>	<u>163,350,547</u>	<u>168,243,371</u>	<u>184,682,938</u>	<u>184,973,759</u>	<u>201,284,238</u>	<u>181,892,626</u>	<u>198,712,345</u>
Administrative expenses	<u>17,529,248</u>	<u>17,078,960</u>	<u>16,509,080</u>	<u>16,421,075</u>	<u>17,998,449</u>	<u>17,506,929</u>	<u>17,769,718</u>	<u>17,609,168</u>	<u>17,662,611</u>	<u>16,112,777</u>
Total operating expenses	<u>182,188,539</u>	<u>188,990,947</u>	<u>192,011,464</u>	<u>179,771,622</u>	<u>186,241,820</u>	<u>202,189,867</u>	<u>202,743,477</u>	<u>218,893,406</u>	<u>199,555,237</u>	<u>214,825,122</u>
NONOPERATING EXPENSES										
Payments to state treasury	<u>104,346,906</u>	<u>108,038,552</u>	<u>105,655,165</u>	<u>98,877,708</u>	<u>104,008,334</u>	<u>111,029,075</u>	<u>110,840,420</u>	<u>121,196,935</u>	<u>110,391,785</u>	<u>119,433,115</u>
INCOME BEFORE EXTRAORDINARY ITEM	<u>(2,706,164)</u>	<u>(812,435)</u>	<u>1,297,952</u>	<u>971,659</u>	<u>(1,664,448)</u>	<u>1,120,430</u>	<u>204,600</u>	<u>398,202</u>	<u>(1,470,360)</u>	<u>(861,376)</u>
EXTRAORDINARY ITEM										<u>186,487</u>
CHANGES IN NET ASSETS	<u><u>(\$2,706,164)</u></u>	<u><u>(\$812,435)</u></u>	<u><u>\$1,297,952</u></u>	<u><u>\$971,659</u></u>	<u><u>(\$1,664,448)</u></u>	<u><u>\$1,120,430</u></u>	<u><u>\$204,600</u></u>	<u><u>\$398,202</u></u>	<u><u>(\$1,470,360)</u></u>	<u><u>(\$674,889)</u></u>
NET ASSETS										
Invested in capital assets	\$1,976,525	\$1,241,856	\$1,073,209	\$3,069,565	\$3,256,590	\$6,933,380	\$6,454,388	\$6,140,678	\$6,063,654	\$6,047,412
Restricted	220,690	180,690	180,690	180,690	180,690	180,690				
Unrestricted	21,596,993	21,559,227	23,025,826	22,001,129	20,149,656	17,593,296	18,457,578	19,169,490	17,776,154	17,117,507
Total net assets	<u><u>\$23,794,208</u></u>	<u><u>\$22,981,773</u></u>	<u><u>\$24,279,725</u></u>	<u><u>\$25,251,384</u></u>	<u><u>\$23,586,936</u></u>	<u><u>\$24,707,366</u></u>	<u><u>\$24,911,966</u></u>	<u><u>\$25,310,168</u></u>	<u><u>\$23,839,808</u></u>	<u><u>\$23,164,919</u></u>

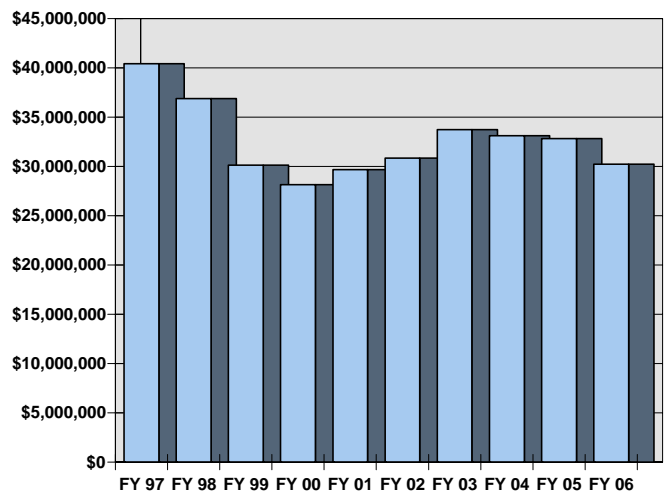
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**LOUISIANA LOTTERY CORPORATION
SALES BY FISCAL YEAR BY PRODUCT LINE
(UNAUDITED)
FISCAL YEARS 1997 THROUGH 2006**

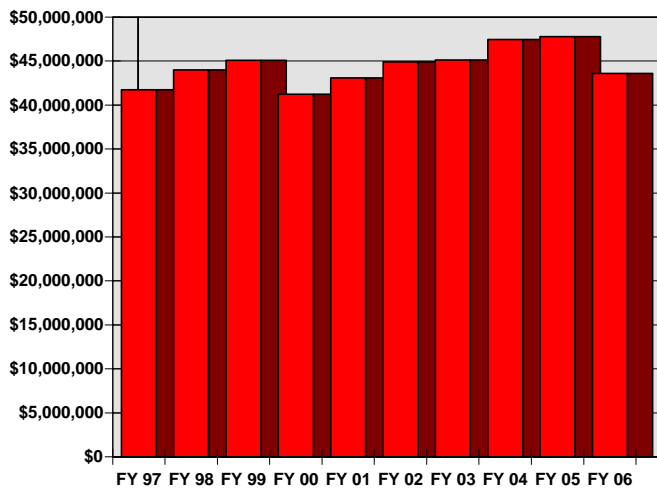
INSTANTS



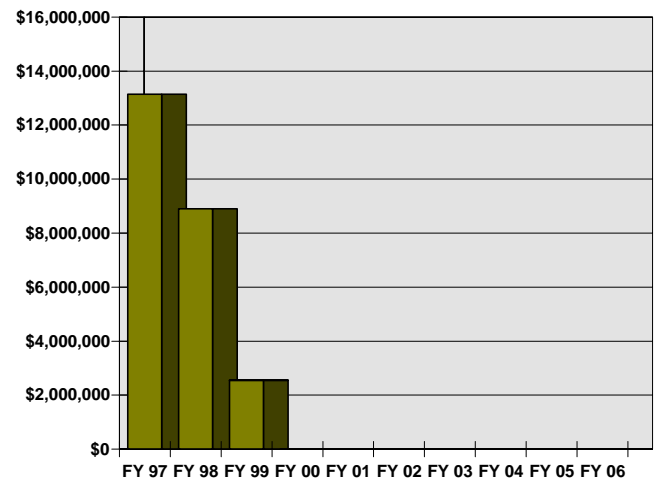
LOTTO



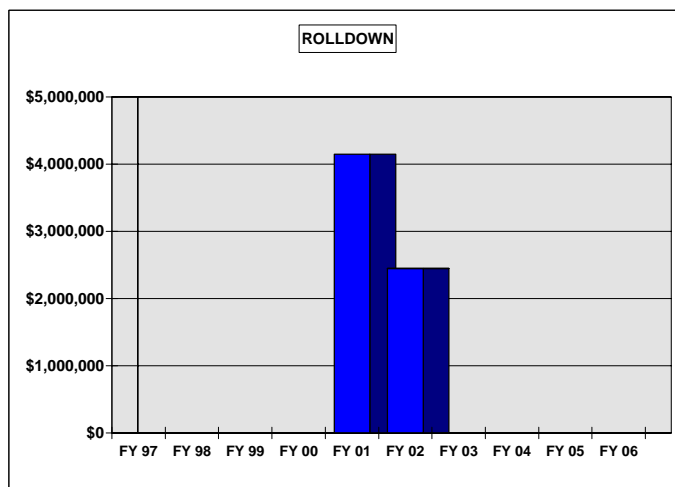
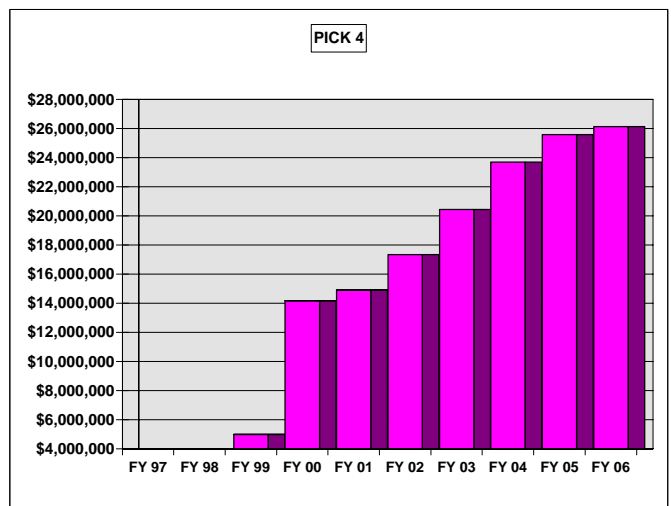
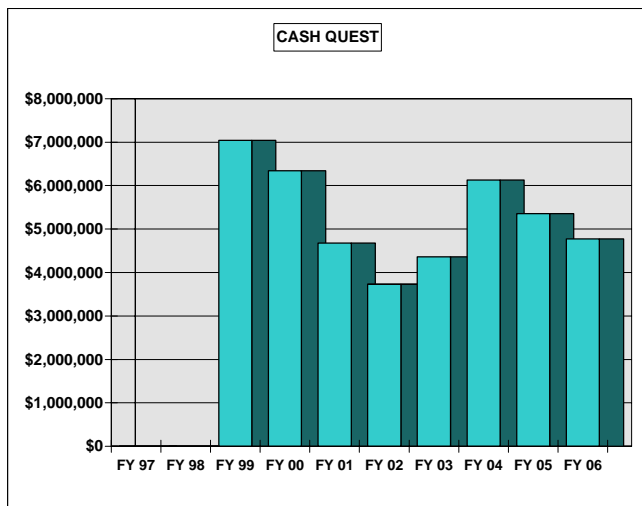
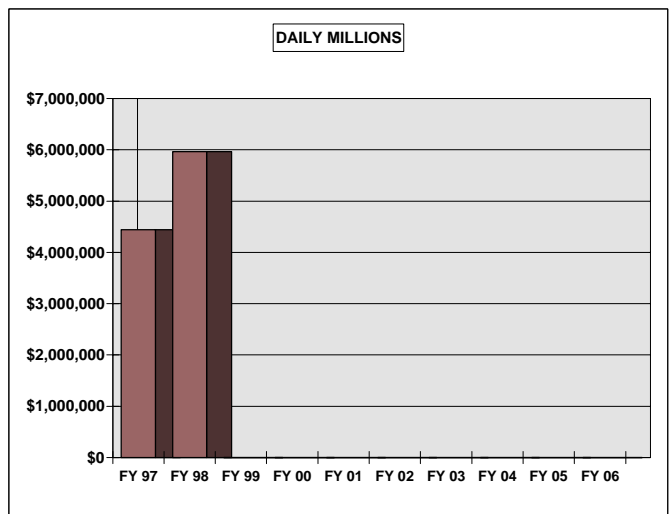
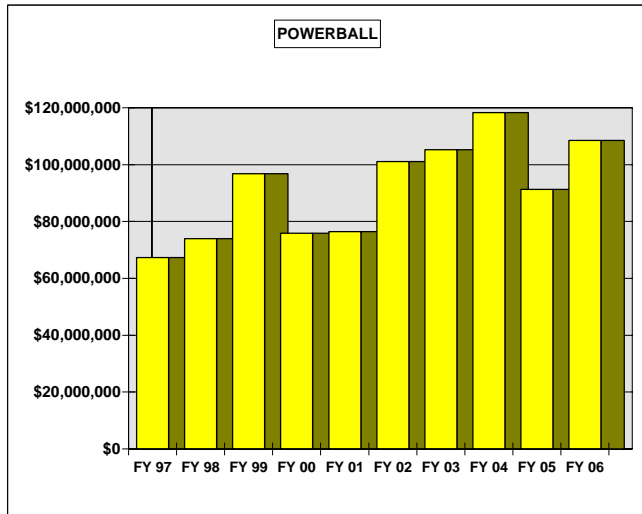
PICK 3



EASY 5

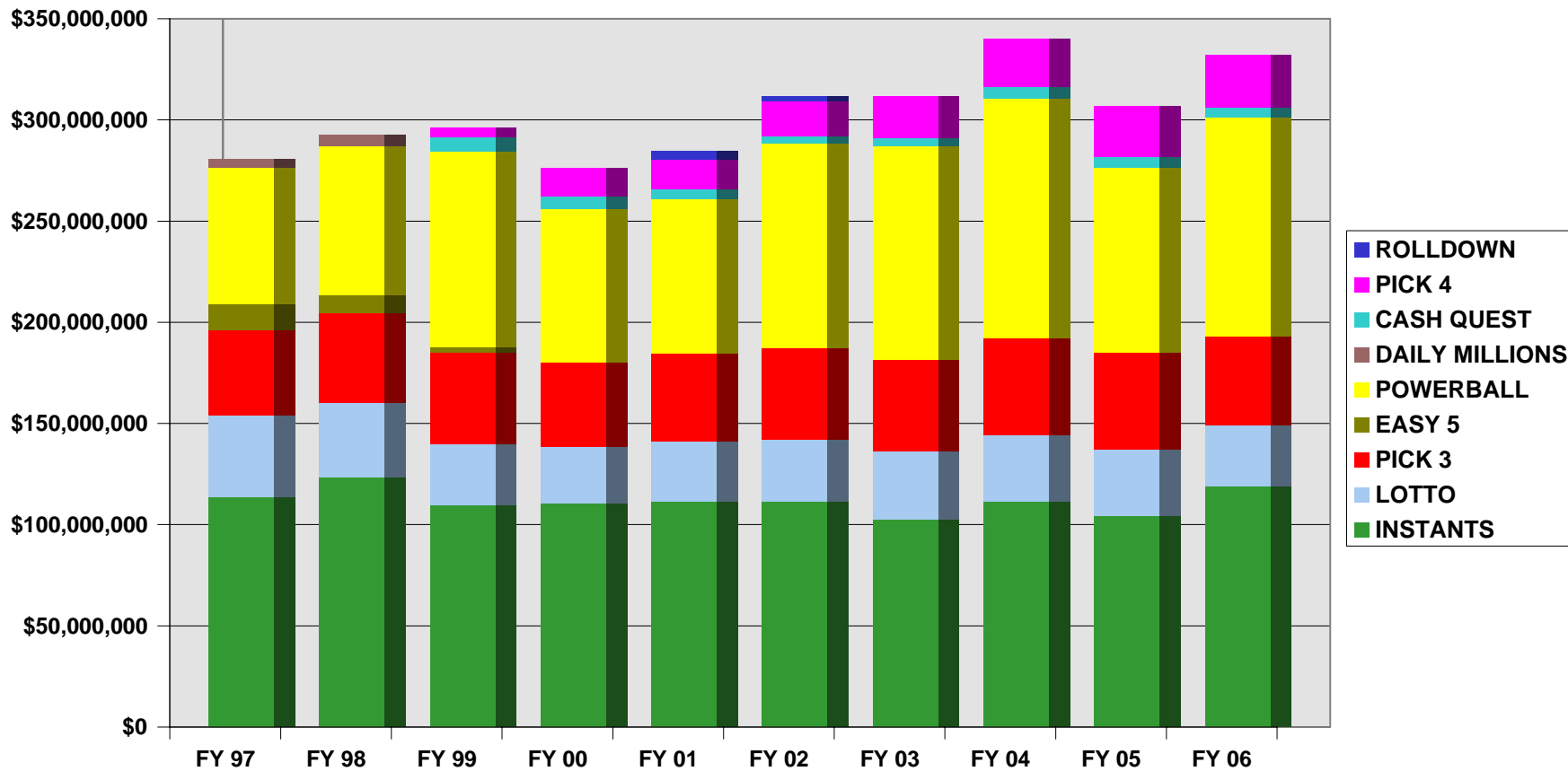


LOUISIANA LOTTERY CORPORATION
SALES BY FISCAL YEAR BY PRODUCT LINE
(UNAUDITED)
FISCAL YEARS 1997 THROUGH 2006

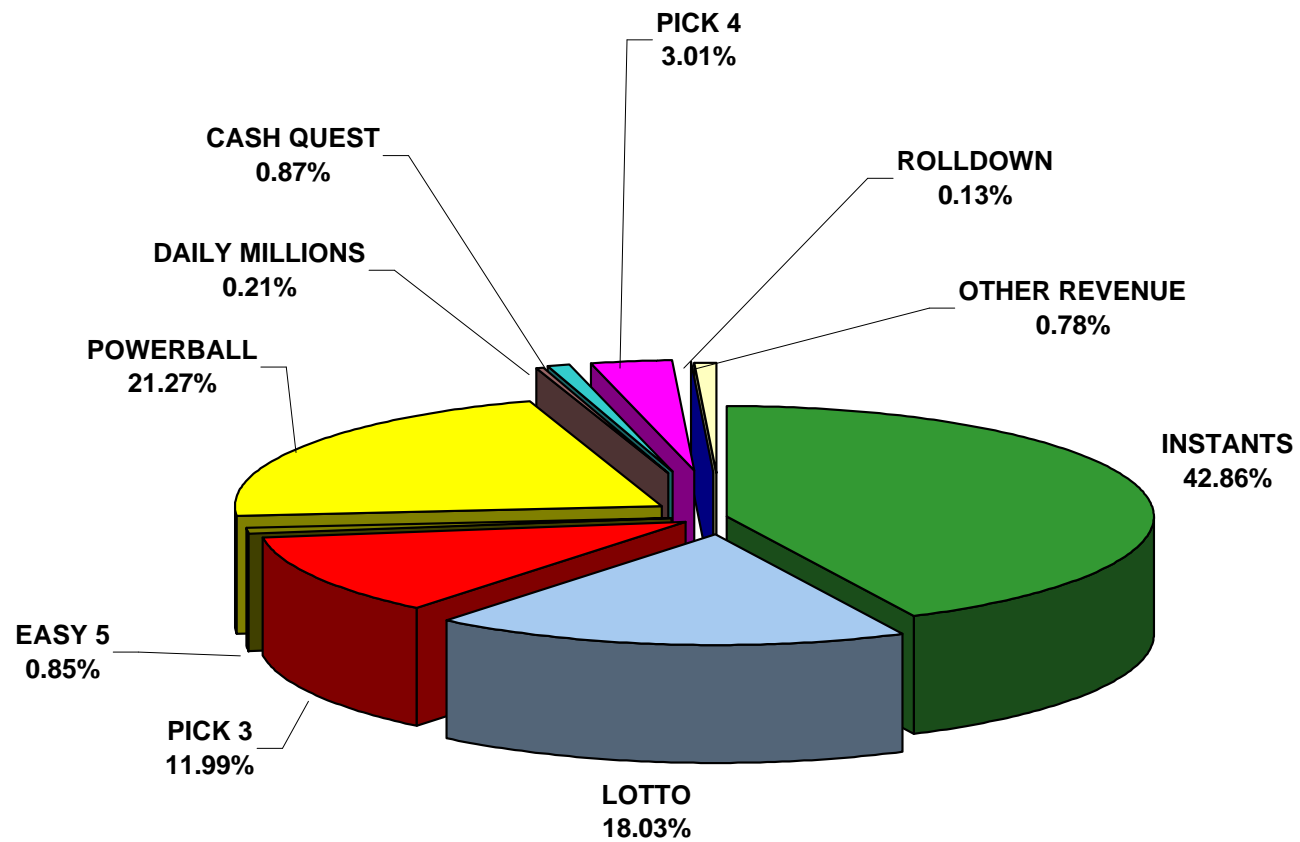


LOUISIANA LOTTERY CORPORATION
SALES BY PRODUCT
(UNAUDITED)
FISCAL YEARS 1997 THROUGH 2006

51

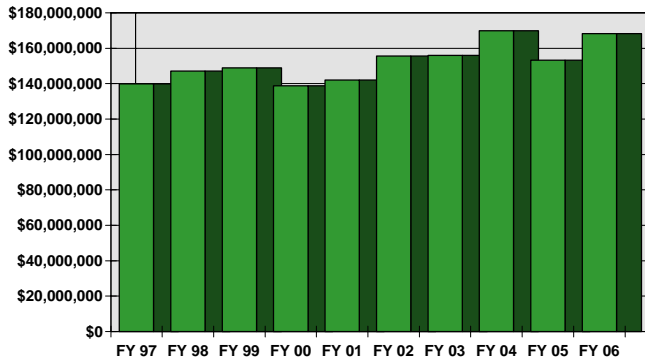


**LOUISIANA LOTTERY CORPORATION
INCEPTION-TO-DATE REVENUE DISTRIBUTION
(UNAUDITED)**

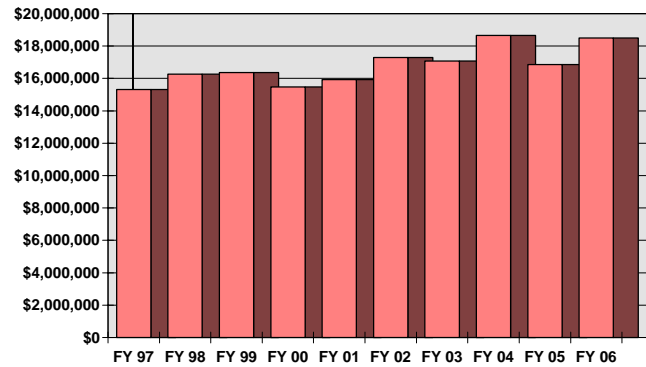


**LOUISIANA LOTTERY CORPORATION
EXPENSES AND PAYMENTS
(UNAUDITED)
FISCAL YEARS 1997 THROUGH 2006**

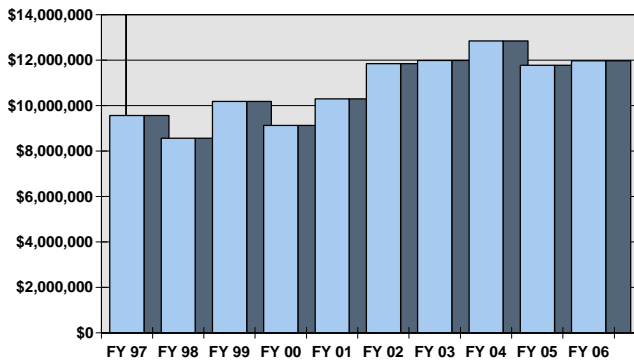
PRIZE EXPENSE



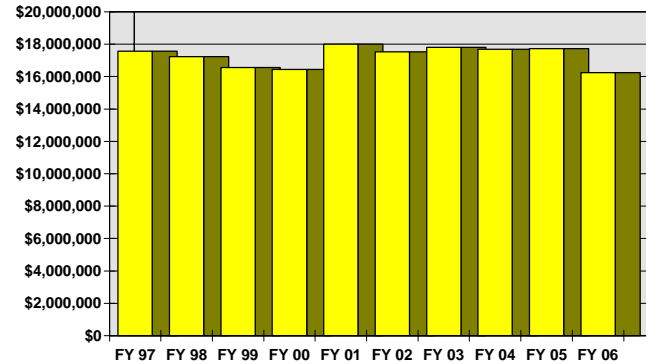
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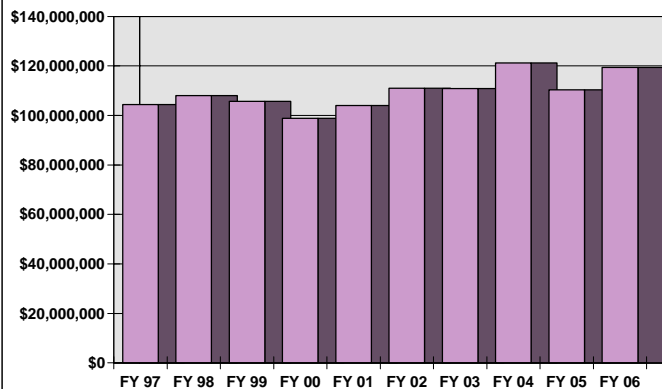
OTHER DIRECT COSTS



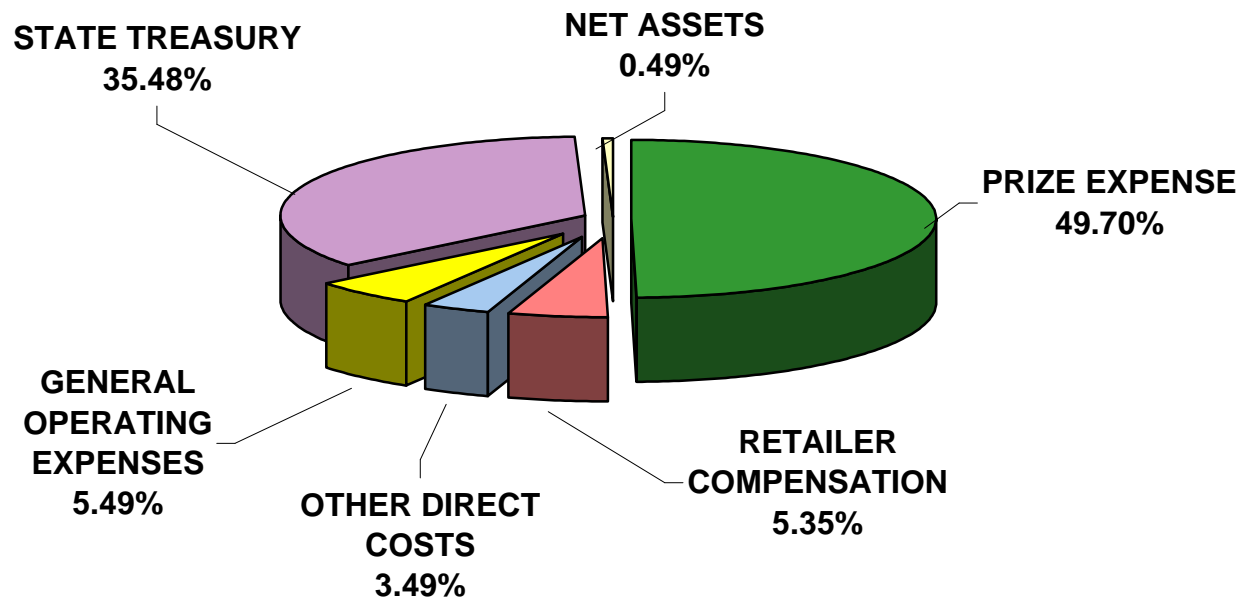
ADMINISTRATIVE EXPENSES



STATE TREASURY



**LOUISIANA LOTTERY CORPORATION
INCEPTION-TO-DATE
EXPENSES AND PAYMENTS
AS A PERCENTAGE OF TOTAL REVENUE
(UNAUDITED)**



**LOUISIANA LOTTERY CORPORATION
PAYMENTS TO STATE TREASURY
(UNAUDITED)
INCEPTION-TO-DATE**

<u>DATE</u>	<u>AMOUNT</u>	<u>LOTTERY FISCAL YEAR TOTAL</u>	<u>CALENDAR YEAR TOTAL</u>
DECEMBER 1991	\$50,000,000		\$50,000,000
MARCH 1992	40,000,000		
JUNE 1992	25,000,000	\$115,000,000	
SEPTEMBER 1992	57,200,000		
DECEMBER 1992	44,300,000		166,500,000
MARCH 1993	45,900,000		
JUNE 1993	31,765,000	179,165,000	
SEPTEMBER 1993	32,266,000		
DECEMBER 1993	40,400,000		150,331,000
MARCH 1994	31,365,000		
JUNE 1994	27,995,000	132,026,000	
SEPTEMBER 1994	26,725,000		
DECEMBER 1994	24,500,000		110,585,000
MARCH 1995	25,810,000		
JUNE 1995	34,735,000	111,770,000	
JULY 1995	9,066,822		
AUGUST 1995	8,194,932		
SEPTEMBER 1995	8,507,793		
OCTOBER 1995	7,873,606		
NOVEMBER 1995	8,327,516		
DECEMBER 1995	8,500,000		111,015,669
JANUARY 1996	9,820,865		
FEBRUARY 1996	8,202,764		
MARCH 1996	9,315,166		
APRIL 1996	8,282,972		
MAY 1996	8,428,448		
JUNE 1996	7,971,536	102,492,420	
JULY 1996	8,176,487		
AUGUST 1996	7,890,198		
SEPTEMBER 1996	7,643,764		
OCTOBER 1996	8,385,386		
NOVEMBER 1996	7,773,727		
DECEMBER 1996	8,243,281		100,134,594
JANUARY 1997	8,181,070		
FEBRUARY 1997	8,026,686		
MARCH 1997	9,397,036		
APRIL 1997	8,594,425		
MAY 1997	8,675,328		
JUNE 1997	13,359,518	104,346,906	
JULY 1997	8,399,129		
AUGUST 1997	8,490,015		
SEPTEMBER 1997	7,522,120		
OCTOBER 1997	7,955,211		
NOVEMBER 1997	7,567,906		
DECEMBER 1997	9,211,519		105,379,963
JANUARY 1998	8,211,078		
FEBRUARY 1998	8,691,278		
MARCH 1998	8,834,355		
APRIL 1998	8,391,642		
MAY 1998	12,684,716		
JUNE 1998	12,079,583	108,038,552	

(continued on next page)

**LOUISIANA LOTTERY CORPORATION
PAYMENTS TO STATE TREASURY
(UNAUDITED)
INCEPTION-TO-DATE**

<u>DATE</u>	<u>AMOUNT</u>	<u>LOTTERY FISCAL YEAR TOTAL</u>	<u>CALENDAR YEAR TOTAL</u>
JULY 1998	\$15,552,958		
AUGUST 1998	8,358,134		
SEPTEMBER 1998	7,821,200		
OCTOBER 1998	8,067,540		
NOVEMBER 1998	7,277,057		
DECEMBER 1998	7,625,952		\$113,595,493
JANUARY 1999	8,214,518		
FEBRUARY 1999	7,334,683		
MARCH 1999	9,054,748		
APRIL 1999	7,636,327		
MAY 1999	7,403,142		
JUNE 1999	11,308,906	\$105,655,165	
JULY 1999	7,691,675		
AUGUST 1999	7,146,000		
SEPTEMBER 1999	7,500,825		
OCTOBER 1999	8,024,420		
NOVEMBER 1999	7,206,148		
DECEMBER 1999	7,706,120		96,227,512
JANUARY 2000	7,415,230		
FEBRUARY 2000	9,698,050		
MARCH 2000	10,341,900		
APRIL 2000	8,822,190		
MAY 2000	8,592,760		
JUNE 2000	8,732,390	98,877,708	
JULY 2000	8,159,960		
AUGUST 2000	7,738,605		
SEPTEMBER 2000	7,309,665		
OCTOBER 2000	7,432,725		
NOVEMBER 2000	10,276,870		
DECEMBER 2000	8,063,285		102,583,630
JANUARY 2001	7,942,029		
FEBRUARY 2001	9,919,540		
MARCH 2001	9,421,635		
APRIL 2001	8,636,860		
MAY 2001	8,414,910		
JUNE 2001	10,692,250	104,008,334	
JULY 2001	7,988,275		
AUGUST 2001	18,098,020		
SEPTEMBER 2001	8,149,090		
OCTOBER 2001	8,053,040		
NOVEMBER 2001	7,906,850		
DECEMBER 2001	7,756,615		112,979,114
JANUARY 2002	9,397,380		
FEBRUARY 2002	8,219,050		
MARCH 2002	8,556,150		
APRIL 2002	8,394,675		
MAY 2002	9,349,340		
JUNE 2002	9,160,590	111,029,075	
JULY 2002	7,969,575		
AUGUST 2002	8,296,930		
SEPTEMBER 2002	8,978,520		
OCTOBER 2002	8,373,320		
NOVEMBER 2002	7,781,000		
DECEMBER 2002	14,881,880		109,358,410
JANUARY 2003	9,367,485		
FEBRUARY 2003	8,683,630		
MARCH 2003	8,938,100		
APRIL 2003	8,184,390		
MAY 2003	8,600,225		
JUNE 2003	10,785,365	110,840,420	

(continued on next page)

**LOUISIANA LOTTERY CORPORATION
PAYMENTS TO STATE TREASURY
(UNAUDITED)
INCEPTION-TO-DATE**

<u>DATE</u>	<u>AMOUNT</u>	<u>LOTTERY FISCAL YEAR TOTAL</u>	<u>CALENDAR YEAR TOTAL</u>
JULY 2003	\$11,785,350		
AUGUST 2003	10,099,360		
SEPTEMBER 2003	8,310,460		
OCTOBER 2003	10,643,240		
NOVEMBER 2003	8,592,455		
DECEMBER 2003	12,917,620		\$116,907,680
JANUARY 2004	9,796,600		
FEBRUARY 2004	9,610,030		
MARCH 2004	10,100,770		
APRIL 2004	9,231,775		
MAY 2004	9,773,075		
JUNE 2004	10,336,200	\$121,196,935	
JULY 2004	8,488,925		
AUGUST 2004	8,584,735		
SEPTEMBER 2004	8,909,205		
OCTOBER 2004	9,832,180		
NOVEMBER 2004	9,095,720		
DECEMBER 2004	10,279,105		114,038,320
JANUARY 2005	8,349,700		
FEBRUARY 2005	8,080,810		
MARCH 2005	8,508,585		
APRIL 2005	8,315,245		
MAY 2005	11,268,835		
JUNE 2005	10,678,740	110,391,785	
JULY 2005	8,254,655		
AUGUST 2005	8,120,950		
SEPTEMBER 2005	5,519,665		
OCTOBER 2005	10,870,295		
NOVEMBER 2005	8,526,875		
DECEMBER 2005	9,919,900		106,414,255
JANUARY 2006	10,185,345		
FEBRUARY 2006	14,389,255		
MARCH 2006	11,385,060		
APRIL 2006	10,355,990		
MAY 2006	9,967,465		
JUNE 2006	11,937,660	119,433,115	68,220,775
TOTAL INCEPTION-TO-DATE	\$1,734,271,415	\$1,734,271,415	\$1,734,271,415

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
(Unaudited)
Schedule of Instant Ticket Game Launches and Sales by Price Point
Fiscal Year Ending June 30 for the Years Shown

Price Point	2002	2003	2004	2005	2006	% of Total 2006
Number of Launches						
\$1	29	25	39	32	19	47.50%
\$2	13	13	13	16	10	25.00%
\$3	0	3	3	6	5	12.50%
\$5	4	4	6	8	6	15.00%
\$10	1	2	0	1	0	0.00%
Total	47	47	61	63	40	100.00%
Sales						
\$1	\$61,232,296	\$53,959,169	\$56,476,199	\$44,811,865	\$46,001,479	38.70%
\$2	31,682,721	28,806,449	22,509,278	26,033,894	27,799,094	23.39%
\$3	339,132	4,186,464	13,677,891	12,633,261	14,550,588	12.24%
\$5	14,472,796	10,754,983	15,424,130	17,608,325	20,797,750	17.50%
\$10	3,545,880	4,841,910	3,343,219	3,014,820	9,715,900	8.17%
Total	\$111,272,825	\$102,548,975	\$111,430,717	\$104,102,165	\$118,864,811	100.00%

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
(Unaudited)
Schedule of Lottery Retailers and Sales by Region
Fiscal Year Ending June 30, 2006

	Number of Retailers	% of Total Retailers	Sales	% Total Sales
Region				
Alexandria	204	8.10%	\$26,876,128	8.09%
Baton Rouge	538	21.35%	65,303,460	19.66%
Lafayette	579	22.98%	59,490,369	17.91%
Monroe	213	8.45%	38,541,327	11.60%
New Orleans	705	27.98%	105,946,748	31.90%
Shreveport	281	11.14%	35,958,628	10.84%
Total	2,520	100.00%	332,116,660	100.00%

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
(Unaudited)
Schedule of Demographic and Economic Statistics
Calendar Years 1997 to 2006

Calendar Year	Statewide Population	Statewide Personal Income (millions of dollars)	Statewide Personal Income per Capita	Statewide Unemployment Rate
1997	4,421,071	\$90,627	\$20,499	5.9%
1998	4,440,344	96,467	21,725	5.5%
1999	4,460,811	97,677	21,897	4.6%
2000	4,468,976	103,033	23,055	4.9%
2001	4,465,258	109,983	24,631	5.1%
2002	4,475,003	112,431	25,124	5.8%
2003	4,490,380	115,612	25,747	6.6%
2004	4,506,685	121,919	27,053	5.9%
2005	4,523,628	128,621	28,433	5.5%
2006	a	a	a	4.6%

Sources:

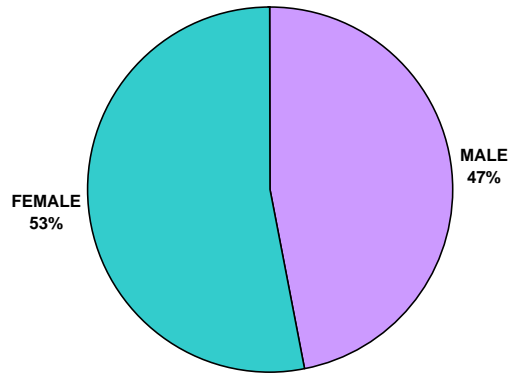
Population from U.S Census Bureau; Personal income from U.S Bureau of Economic Analysis;
Unemployment rate from U.S. Department of Labor, Bureau of Statistics.

Note:

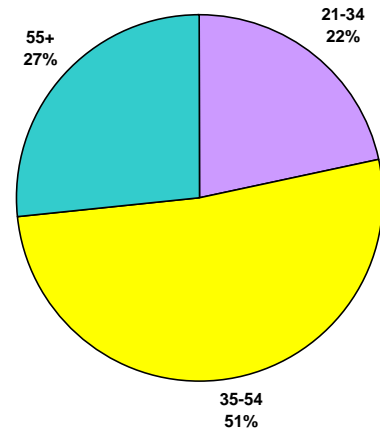
a= Not yet available.

**LOUISIANA LOTTERY CORPORATION
PARTICIPATION OF ALL PLAYERS BY DEMOGRAPHIC GROUPS
(UNAUDITED)**

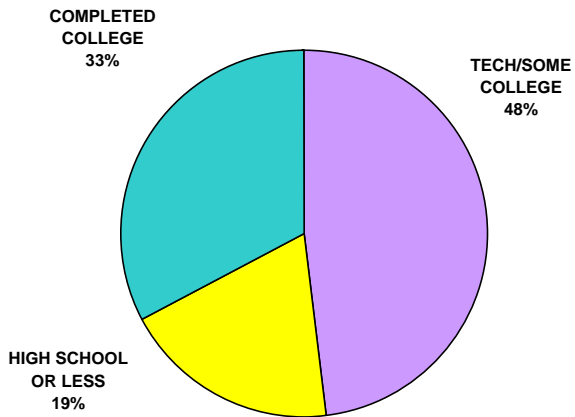
GENDER



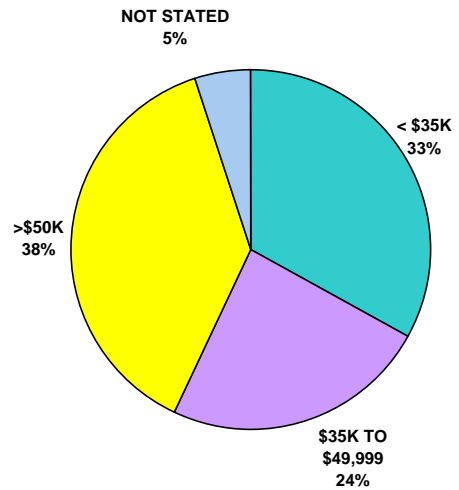
AGE



EDUCATION



INCOME



Source: On-line Mini-Labs Report
Angus Reid Group, May 2000

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
(Unaudited)
Schedule of Lottery Employees
Fiscal Year Ending June 30 for the Years Shown

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Full-time	135	139	135	129	119
Part-time	25	26	21	18	19
Total	<u>160</u>	<u>165</u>	<u>156</u>	<u>147</u>	<u>138</u>
Sales:					
Alexandria	7	7	6	6	6
Baton Rouge	9	9	9	8	13
Lafayette	11	11	10	10	8
Monroe	7	7	5	5	6
New Orleans	15	15	13	13	5
Shreveport	9	8	8	7	9
Warehousing	7	6	7	7	6
Marketing and administration	95	102	98	91	85
Total	<u>160</u>	<u>165</u>	<u>156</u>	<u>147</u>	<u>138</u>

U.S. LOTTERY STATISTICS (UNAUDITED)

The following tables:

- U.S. Lotteries' Fiscal 2005 Sales By Game.
- Fiscal 2005 U.S. Lottery Sales, Prizes & Government Transfers

Measured by Gross State Product.

(Source: **La Fleur's 2006 World Lottery Almanac**)

Copyright 2006,
TLF Publications, Inc.
14424 Chrisman Hill Drive
Boyds, MD 20841
U.S.A.

U.S. lotteries' fiscal 2005 sales by game*

(in \$millions)				Online Games								Total Sales	PC Sales	VLT (net)
Lottery	Pop. (M)	Instant	Pulltab	3-digit	4-digit	Lotto	Cash Lotto	Bloc Lotto	Hot Lotto	Keno	Other			
Arizona	5.9	219.65		7.18		54.82	9.43	106.48				397.56	\$67	
California	36.1	1,736.79		136.16		1,098.89	160.76	11.04		174.30	15.68	3,333.62	\$92	
Colorado	4.7	282.74				38.27	15.05	80.91				416.97	\$89	
Connecticut	3.5	592.27		106.44	78.27	35.61	40.78	79.56				932.93	\$266	
Delaware	0.8	28.70		27.56	16.83	4.29	11.51	25.43			-0.26	114.06	\$135	575.23
D.C.	0.6	36.11		68.60	74.14		8.47	31.54	2.20	11.87	2.01	234.94	\$427	
Florida	17.8	1,844.62		345.60	206.98	689.82	252.47				131.25	3,470.73	\$195	
Georgia	9.1	1,653.13		551.50	174.16	67.44	75.85	170.44		41.83		2,734.35	\$301	
Idaho	1.4	77.75	1.33	1.19		3.20		30.04				113.50	\$79	
Illinois	12.8	878.83		307.24	168.35	131.54	131.78	192.60			4.01	1,814.35	\$142	
Indiana	6.3	470.41	19.32	29.56	29.98	60.86	8.00	120.32			1.16	739.63	\$118	
Iowa	3.0	103.26	23.62	6.20	2.04		4.43	54.24	10.44		6.43	210.67	\$71	
Kansas	2.7	93.28	4.39	5.17		2.17	19.31	44.53		37.11	0.77	206.72	\$75	
Kentucky	4.2	385.13	24.22	130.35	35.66	17.55	16.81	90.46			7.10	707.26	\$169	
Louisiana	4.5	104.10		47.79	25.57	32.83	5.36	91.36				307.01	\$68	
Maine	1.3	151.88		5.84	4.43		2.53	44.62				209.30	\$158	
Maryland	5.6	390.97		296.10	225.45	34.10	21.92	99.74		416.51	0.94	1,485.73	\$265	
Massachusetts	6.4	3,135.42	1.81		352.45	51.29	85.68	97.07		742.01		4,465.72	\$698	
Michigan	10.1	662.53	39.07	401.07	308.85	55.64	49.89	203.90		345.86	2.66	2,069.47	\$204	
Minnesota	5.1	253.40		13.10			23.90	92.50	16.30		8.80	408.00	\$79	
Missouri	5.8	467.33	20.73	60.56	21.34	30.31	23.06	114.49		47.62	0.17	785.60	\$135	
Montana	0.9	10.54				2.30	3.83	13.89	2.82		0.44	33.81	\$36	
Nebraska	1.8	56.51		0.53		2.53	10.57	30.51				100.66	\$57	
N. Hampshire	1.3	161.36		10.65			3.14	49.35	3.48			227.98	\$174	
New Jersey	8.7	1066.13		456.58	265.00	109.98	123.25	253.41				2,274.36	\$261	
New Mexico	1.9	90.84		2.06	0.89		9.18	36.26				139.24	\$72	
New York	19.3	3,005.59		790.47	624.20	305.86	348.18	446.21		507.36	10.91	6,038.77	\$314	231.72
N. Dakota	0.6					2.02		13.21	3.90			19.13	\$30	
Ohio	11.5	1,217.20		387.66	170.09	113.06	74.82	176.39			19.91	2,159.13	\$188	
Oregon	3.6	133.24	2.19		1.39	48.28		35.00		122.20	17.87	360.17	\$99	579.65
Pennsylvania	12.4	1301.81		425.36	271.55	151.01	201.26	293.86				2,644.86	\$213	
Rhode Island	1.1	75.60		28.58			3.74	41.97		90.55	1.44	241.88	\$225	399.19
S. Carolina	4.3	578.84		118.85	51.32		29.00	178.94				956.95	\$225	
S. Dakota	0.8	16.15				1.81	1.80	11.15	1.59			32.50	\$42	216.76
Tennessee	6.0	538.35		69.19	6.09	23.40		146.67				783.70	\$131	
Texas	22.9	2,705.41		284.95		306.66	102.66	217.71			45.07	3,662.46	\$160	
Vermont	0.6	71.21		1.55	1.27		1.18	17.39				92.59	\$149	
Virginia	7.6	679.56		253.22	169.18	66.69	28.11	137.18				1,333.95	\$176	
Washington	6.3	294.67		17.24		58.61	21.63	50.24		6.44	9.30	458.13	\$73	
W. Virginia	1.8	111.86		9.29	4.42		6.11	49.21	3.34	9.96		194.19	\$107	1,199.35
Wisconsin	5.5	263.04	6.87	24.50	10.38	18.09	49.71	79.30			-0.01	451.87	\$82	
Total	266.6	25,946.18	143.55	5,427.89	3,300.30	3,618.92	1,985.15	4,059.11	44.07	2,553.62	285.65	47,364.4	\$178	3,201.89
% of total		54.8%	0.3%	11.5%	7.0%	7.6%	4.2%	8.6%	0.1%	5.4%	0.6%	100.0%		

* Fiscal year ends June 30 for all U.S. states, except New York (March 31), Texas (August 31), D.C. and Michigan (Sept. 30)

Fiscal 2005 U.S. Lottery Sales, Prizes & Gov't Transfers Measured by Gross State Product

		2004 Gross State Product ²	Ticket Sales VLT (net)				Gov't Transfers	PC Sales	PC Gov't	Ticket Sales as % of GSP	Gov't Transfers as % of GSP	Prizes as % of Ticket Sales	Gov't Transfers as % of Ticket Sale
Lottery	Pop. ¹ (Mil)												
Arizona	5.9	199,953	397.56		200.30	54.69	116.39	\$67	\$20	0.199%	0.058%	50.4%	29.3%
California	36.1	1,550,753	3,333.62		1,795.25	166.99	1,148.78	\$92	\$32	0.215%	0.074%	53.9%	34.5%
Colorado	4.7	199,969	416.97		249.50	32.43	103.74	\$89	\$22	0.209%	0.052%	59.8%	24.9%
Connecticut	3.5	185,802	932.93		573.00	40.57	268.52	\$266	\$77	0.502%	0.145%	61.4%	28.8%
Delaware ^{3,4}	0.8	54,274	114.06	575.23	59.83	13.31	297.92	\$135	\$353	0.210%	0.549%	52.5%	
D.C.	0.6	76,685	234.93		120.53	29.10	71.45	\$427	\$130	0.306%	0.093%	51.3%	30.4%
Florida	17.8	599,068	3,470.73		2,044.25	142.61	1,103.63	\$195	\$62	0.579%	0.184%	58.9%	31.8%
Georgia	9.1	343,125	2,734.35		1,633.28	111.89	802.24	\$301	\$88	0.797%	0.234%	59.7%	29.3%
Idaho	1.4	43,571	113.50		69.59	13.12	26.00	\$79	\$18	0.260%	0.060%	61.3%	22.9%
Illinois	12.8	521,900	1,814.35		1,042.89	99.79	619.50	\$142	\$49	0.348%	0.119%	57.5%	34.1%
Indiana	6.3	227,569	739.63		455.33	47.14	188.93	\$118	\$30	0.325%	0.083%	61.6%	25.5%
Iowa	3.0	111,114	210.67		113.46	28.57	51.09	\$71	\$17	0.190%	0.046%	53.9%	24.3%
Kansas	2.7	98,946	206.72		112.56	20.86	65.41	\$75	\$24	0.209%	0.066%	54.4%	31.6%
Kentucky	4.2	136,446	707.26		457.69	47.40	158.19	\$169	\$38	0.518%	0.116%	64.7%	22.4%
Louisiana	4.5	152,944	307.01		153.26	29.44	110.39	\$68	\$24	0.201%	0.072%	49.9%	36.0%
Maine	1.3	43,336	209.30		127.02	19.47	50.33	\$158	\$38	0.483%	0.116%	60.7%	24.0%
Maryland	5.6	227,991	1,485.73		856.23	51.36	477.10	\$265	\$85	0.652%	0.209%	57.6%	32.1%
Massachusetts	6.4	317,798	4,465.72		3,211.54	81.50	936.13	\$698	\$146	1.405%	0.295%	71.9%	21.0%
Michigan	10.1	372,169	2,069.48		1,162.01	100.28	667.58	\$204	\$66	0.556%	0.179%	56.1%	32.3%
Minnesota	5.1	223,822	408.00		241.30	36.31	106.17	\$79	\$21	0.182%	0.047%	59.1%	26.0%
Missouri	5.8	203,294	785.60		487.93	38.97	218.64	\$135	\$38	0.386%	0.108%	62.1%	27.8%
Montana	0.9	27,482	33.81		17.80	7.91	6.22	\$36	\$7	0.123%	0.023%	52.7%	18.4%
Nebraska	1.8	68,183	100.66		58.35	12.34	26.37	\$57	\$15	0.148%	0.039%	58.0%	26.2%
N. Hampshire	1.3	51,871	227.98		132.69	15.09	69.35	\$174	\$53	0.440%	0.134%	58.2%	30.4%
New Jersey	8.7	416,053	2,274.36		1,296.81	80.68	812.05	\$261	\$93	0.547%	0.195%	57.0%	35.7%
New Mexico	1.9	61,012	139.24		76.17	17.40	32.23	\$72	\$17	0.228%	0.053%	54.7%	23.1%
New York	19.3	896,739	6,038.77	231.72	3,523.53	254.30	2,062.70	\$314	\$107	0.673%	0.230%	58.3%	34.2%
N. Dakota	0.6	22,687	19.13		9.09	2.78	6.10	\$30	\$10	0.084%	0.027%	47.5%	31.9%
Ohio	11.5	419,866	2,159.13		1,280.79	97.69	645.14	\$188	\$56	0.514%	0.154%	59.3%	29.9%
Oregon ^{3,4}	3.6	128,103	360.17	579.65	245.13	26.69	401.58	\$99	\$110	0.281%	0.313%	68.1%	
Pennsylvania	12.4	468,089	2,644.86		1,529.44	143.64	851.80	\$213	\$69	0.565%	0.182%	57.8%	32.2%
R. Island ^{3,4}	1.1	41,679	241.88	399.19	143.56	8.17	307.55	\$225	\$286	0.580%	0.738%	59.4%	
S. Carolina	4.3	136,125	956.95		573.60	41.88	279.74	\$225	\$66	0.703%	0.206%	59.9%	29.2%
S. Dakota ^{3,4}	0.8	29,386	32.50	216.76	18.35	5.75	119.32	\$42	\$154	0.111%	0.406%	56.5%	
Tennessee	6.0	217,626	783.70		444.24	49.78	234.30	\$131	\$39	0.360%	0.108%	56.7%	29.9%
Texas	22.9	884,136	3,662.46		2,228.00	178.78	1,070.30	\$160	\$47	0.414%	0.121%	60.8%	29.2%
Vermont	0.6	21,921	92.59		57.90	8.41	20.47	\$149	\$33	0.422%	0.093%	62.5%	22.1%
Virginia	7.6	329,332	1,333.95		774.56	66.01	423.50	\$176	\$56	0.405%	0.129%	58.1%	31.7%
Washington	6.3	261,549	458.13		280.86	33.89	115.63	\$73	\$18	0.175%	0.044%	61.3%	25.2%
W. Virginia ^{3,4}	1.8	49,454	194.22	1,199.35	117.13	20.27	563.32	\$107	\$310	0.393%	1.139%	60.3%	
Wisconsin	5.5	211,616	451.87		262.18	28.54	143.40	\$82	\$26	0.214%	0.068%	58.0%	31.7%
Total	266.6	10,633,438	47,364.4	3,201.9	28,236.9	2,305.8	15,779.2	\$178	\$59	0.445%	0.148%	59.6%	

Fiscal year ends June 30 except New York (March 31), Texas (August 31) and D.C. and Michigan (Sept. 30). ¹ Source: U.S. Census Bureau

² Source: U.S. Bureau of Economic Analysis; ³ This data represents only revenue from traditional lottery games; ⁴ Prizes do not include VLT prizes paid

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
(Unaudited)
Schedule of Capital Asset Information
Fiscal Year Ending June 30 for the Years Shown

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Owned buildings-square feet					
<i>Headquarters</i>					
555 Laurel Street Baton Rouge 70801	28,176	28,176	28,176	28,176	28,176
<i>Distribution center</i>					
Baton Rouge	15,000	15,000	15,000	15,000	15,000
Leased locations - square feet occupied (Leasehold improvements on schedule of capital assets)					
2222 Clearview Parkway Metairie, Suite B3 70001	5,525	5,525	5,525	5,525	5,525
5520-L Johnston Street Lafayette 70503	3,516	3,516	3,516	3,516	3,516
1325 Macarthur Drive Alexandria 71301	2,200	2,200	2,200	2,200	2,200
1128 Pecanland Road Monroe 71203	2,480	2,480	2,480	2,480	2,480
8201 Jewella Avenue Shreveport 71108	2,480	2,480	2,480	2,480	
767 Shreveport - Barksdale Highway Shreveport 71105					3,300
3519 Patrick Street Lake Charles 70605	160	160	160	160	160
Fleet of owned vehicles					
Cars - security department	7	7	5	5	5
Passenger vans - sales representatives	48	48	52	50	47
Trucks	1	1	1	1	1
Promotional trailers	4	4	4	3	3
	<u>60</u>	<u>60</u>	<u>62</u>	<u>59</u>	<u>56</u>

OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

The following pages contain a report on internal control and on compliance with laws and regulations and other matters as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses in internal control or compliance and other matters that would be material to the presented financial statements.



STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

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August 14, 2006

Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards*

**BOARD OF DIRECTORS
LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA**
Baton Rouge, Louisiana

We have audited the basic financial statements of Louisiana Lottery Corporation, a component unit of the State of Louisiana, as of and for the year ended June 30, 2006, and have issued our report thereon dated August 14, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Louisiana Lottery Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Louisiana Lottery Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an

objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Louisiana Lottery Corporation and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Steve J. Theriot", is written over a horizontal line.

Steve J. Theriot, CPA
Legislative Auditor

RR:WDD:THC:ss

[LLC06]